Town of Little Elm, TX

Comprehensive Annual Financial Report

For Year Ended September 30, 2016

LITTLE ELM

"The Town with a Lake Attitude"

The year of citizen engagement

If the year 2016 can be summed up in one phrase, it would be "the year of citizen engagement" as Little Elm solidified its commitment to fully embracing an inclusiveness that encouraged citizens to take an active role in learning more about how their local government works.

Joining the traditionally-popular Citizens Police Academy and Citizens Fire Academy, Little Elm has developed the Little Elm Citizens Government Academy, based on essentially the same principles of opening up the operation of the Town's inner workings to interested citizens. CGA Class No. 1 is pictured on the right as they were recognized by the Town Council and the Town Manager.

In addition, Little Elm invited residents to spend a Saturday morning last spring learning about Town services, meeting Town staff, and even climbing aboard Town service vehicles. Called the "Town Expo and Touch a Truck," last year's inaugural event far exceeded expected attendance. The event, set for an annual run, promises to become a resident favorite.

Both the Citizens Police Academy and the Citizens Fire Academy enjoyed another year of full participation. For several years, the two academies have easily filled the allotted number of class participants. Residents, and non-residents who own or operate businesses in Little Elm, set aside a weeknight for two-and-a-half months to take a close look at the operations of the two critically important public safety services.

Police officers and firefighter/paramedics take the time to prepare presentations on the various services provided by their respective departments, and they welcome the participants into their workspaces for hands-on sessions. Lectures, question and answer sessions, demonstrations and exhibits are all employed to give participants the opportunity to "walk in their shoes."

Similarly, the Citizens Government Academy took a comparable route. Offered for the first time in 2016, the CGA followed essentially the same format as the others, but concentrated on those areas of municipal government that are not covered in the other two academies.

The learnings obtained during the weekday evenings are designed to deepen residents' understanding of the more mundane aspects of Town services such as Finance, Development, Administration, Human Resources, Parks and Recreation, and other perhaps less exciting but nonetheless necessary services provided by Town staff.

Finally, the Town Expo simply offered an open invitation to all residents to meet and get to know all of the people who provide the services they expect from their local government, ask them questions, and exchange information.

And, really, who doesn't like climbing onto a fire truck?

Town of Little Elm, Texas

Comprehensive Annual Financial Report

Fiscal Year Ended

September 30, 2016

AS PREPARED BY THE FINANCE DEPARTMENT

Karla Stovall, CPM, CGFO—Chief Financial Officer

Dianne Lawson, CGFO—Asst. Director of Finance

Robin N. Bromiley, CGFO

Crystal Williamson

Shelly Newell

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TOWN OF LITTLE ELM, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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INTRODUCTORY SECTION

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Finance Department
Town of Little Elm

March 7, 2017

Honorable Mayor, Members of Town Council and
Citizens of Little Elm:

The Town of Little Elm Finance Department is pleased to submit the Comprehensive Annual Financial Report for the fiscal year ending September 30, 2016. Provided herein is a complete set of financial statements in conformity with generally accepted accounting principles GAAP and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The purpose of this report is to provide council, management, staff, the public and other interested parties with detailed information regarding the Town's financial condition. State Law requires that every general purpose local government publish, within six months of the close of fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2016.

This report consists of management's representations concerning the finances of the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

Also included in this report is an unmodified ("clean") opinion on the Town of Little Elm's financial statements for the year ended September 30, 2016 issued by Weaver, L.L.P. The independent auditors' report is located in the beginning of the financial section of the CAFR.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal.

TOWN PROFILE

Little Elm had its humble beginnings as part of the Peters Colony settlement and was chartered in 1841 as part of the Republic of Texas. By 1900, Little Elm had a population of 194 residents. The Town's first census count was in 1970 and was reported with a population of 363 residents. There has been incredible growth since the 1970's by more recent estimates of over 32,000.

Once a farming community nestled on Lake Lewisville, today, the Town is primarily a bedroom community. The Town is all wet, in the sense that over 66 miles of the Town's corporate town

limits are shoreline on Lewisville Lake meaning that almost anywhere you travel in town, neighborhoods have a view of the lake, for which the Town is drawing more attention within the Dallas-Fort Worth metroplex region.

The Town of Little Elm was officially incorporated in 1966 encompassing 1,222 acres and in 2001 adopted the council-manager form of government and its Home Rule Charter. A mayor and six council members are elected on staggered, three-year terms on a non-partisan basis. The Mayor, place 1, and place 6 are elected at-large, whereas Place 2, 3, 4, and 5 are elected by district. After a recent Town Charter Amendment election, beginning with the election in May 2020, there are new guidelines for Town Council elections.

The Council Member elected in at-large place 1 shall serve for a term of two (2) years until the election in May, 2022, after which time the Council Member elected in at-large place 1 shall serve a term of three (3) years from that election going forward. Beginning with the election in May, 2021, the Council Member elected in single member district place 5 shall serve a term for two (2) years until the election in May, 2023, after which time the Council Member elected in single member district place 5 shall serve a term of three (3) years from that election going forward.

Under the provisions of the Town Charter, and subject only to the limitations imposed by the Texas Constitution, State Law, and the Town Charter, the Town Council enacts legislation, adopts the annual operating budget, and sets policy. The Town Manager under the oversight of Town Council is responsible for the proper administration of the operations of the Town.

Services Provided

The Town provides a full range of public services. These services include police, fire protection, emergency medical services, construction and maintenance of streets and other infrastructure; recreation services, library services; parks maintenance and public utilities. The Town's utilities include water and sewer, drainage and sanitation services. The Town operates its own sewer treatment facility.

Community Waste Disposal ("CWD") provides solid waste collection; and, the North Texas Municipal Water District ("NTMWD") provides water for the Town on a "take-or-pay" basis. The Town's drainage utility operates to mitigate drainage and environmental hazards and is self-supporting with fees billed monthly to all residential and commercial customers. The Town provides on a contractual basis to areas in its extra-territorial jurisdictions ("ETJ") public safety and construction inspections.

Financial System and Budgetary Controls

Town Council is required to adopt an annual operating budget no later than the beginning of the fiscal year. The process begins with the staff of each department submitting their annual budget requests during workshop. It is during this collaborative workshop setting including the Town Manager and Department Directors and involved staff each fund's proposed budget is balanced to comprise the Town Manager's Proposed Budget to Town Council. The proposed budget

receives additional scrutiny by Town Council by holding subsequent workshop sessions. Prior to official adoption of the budget and tax rate by Town Council, any required public hearings on the proposed tax rate and budget are held to allow for public input.

The budget is developed on a departmental level and adopted at the fund level. The level of control at which expenditures may not exceed budget with our Town Council approval is at the fund level. The Town Manager has authority to approve individual departmental budget overages. The budget is amended by ordinance when the budget is exceeded at the fund level or for any that were unforeseen during the regular budget process.

This report includes all funds of the Town including its component units. The Town's component units are legally separate entities for which the Town is financially accountable but are not part of the Town's operations. The Town's discretely presented component units are:

- Little Elm Economic Development Type 4A Sales Tax Corporation (EDC)
- Little Elm Community Development Type 4B Sales Tax Corporation (CDC)
- Little Elm Tax Increment Reinvestment Zone (TIRZ) #3

ECONOMIC CONDITIONS AND OUTLOOK

Regional Economy

Little Elm, part of the Dallas/Fort Worth Metroplex, maintains a very strong economy and is ranked as one of the fastest growing cities in the state. Little Elm's population exceeds the state average in education and income, and is increasingly trending younger and technologically proficient. The Town's footprint is just over 21 square miles and boasts some 66 linear miles of lake shoreline within its boundaries. Little Elm is located approximately 10 miles east of the City of Denton and 33 miles north of downtown Dallas on the northeast shore of Lewisville Lake and is the sixth largest municipality in Denton County.

The Town has experienced rapid population growth, increasing from a 2000 U.S. Census population of 3,646, to a 2010 U.S. Census population of 25,898, a 610% increase. The Town's population has grown to an estimated 35,960 in 2016. Including active subdivisions in the ETJ, that figure exceeds 53,000. Little Elm's build-out population is anticipated to be over 90,000.

In fiscal year 2016, 1,816 new residential lots were platted in the Town and ETJ, an increase over the 1,372 lots in fiscal year 2015. The Town's permitting activity increased 16% from 993 single family units in fiscal year 2015 to 1,154 in fiscal year 2016. The fiscal year 2016 total estimated construction value of new home starts is $413,536,680 with an average home value of $358,350. In fiscal year 2016 total estimated construction value of new multi-family dwellings starts is $15,822,470 with an average building value of $930,733 with 17 total permits. There were 45 new commercial businesses added in fiscal year 2016, compared to 69 in fiscal year 2015. Some of these businesses are housed in the 11 new commercial buildings permitted in fiscal year 2016.

LONG-TERM FINANCIAL PLANNNG

Long-Term Financial Planning Process

- **Operations and Maintenance**: Each year the Town prepares a balanced budget, with the involvement of the Town Council, Town Manager, Executive Management Team, finance staff and other employees. Discussions regarding the future of the Town's financial health are a high priority during budget preparation. Fiscal year 2016 budget was the third year for the Town to utilize a multi-year budgeting format. The multi-year budget process takes historical trends, changes in policy and economic conditions (now and projected) into consideration as applicable. The total number of budgeted full-time equivalents (FTE's) is 227.4 for the 2016 budget.

- **Capital Improvement Program**: A major component of the budgeting process every year is the Capital Improvement Program (CIP). Extensive planning takes place throughout the year involving input from the Town Council, Town Boards (Parks Board, Planning and Zoning Board) and the Executive Management Team. The focus of this planning is ongoing funding of current CIP projects, and how the Town will fund currently unfunded CIP projects in the future. During this process attention is given to the impact the projects will have on the future operations and maintenance costs.

Anticipated Long-Term Financial Impacts

There has been a tremendous focus on the 380 Corridor as the Town plans for the expansion of services to this rapidly growing area. Not only did 2014 see the opening of Holt Caterpillar and the ground-breaking of the Union park subdivision and the new Denton ISD high school, it also saw a partnership between the Town of Little Elm and the Town of Lincoln Park. In this partnership, Lincoln Park allocated its extra territorial jurisdiction and a significant portion of its town limits to Little Elm.

These boundary adjustments provide a huge economic prospect for the Town and provide an opportunity to provide a higher level of service along the 380 Corridor. In order to begin increasing service to the area, future plans are underway for a third fire station, which may also include a satellite office for the Police Department and other municipal services.

The Lakefront District will continue to redevelop to create one of DFW's premier summer destinations.

Fiscal Year 2016 Highlights, and Future Outlook

The most notable CIP projects closed during in fiscal year 2016 include Doe Creek Road Improvements, Glencove Walls - West Gateway Improvements, and Villa Paloma Navo Road Improvements. Current CIP projects currently underway include Fire Station #3, Lakefront Trail, Recreation Center Expansion, 423 East Trail, McCord Park Improvements, Harts-branch Trail, Brent Trail, Dickson Road Hill Lane Utility Improvements, WWTP expansion, Witt Road Street/ Utility Improvements and Utility Service Center expansion.

We are continuing to place a great emphasis on Special Events and have planned for growth of Town sponsored events. The events that are planned included Autumn Fest, Pumpkin Hollow/ Haunted Trail, Christmas, Mardi Gras, Brew & Cue festival, July Jubilee, Big Texas Paddle Fest and a signature beach party.

The year's activities and events provided the citizens of Little Elm with a wide array of recreation, cultural, commercial and infrastructure services that will affect the quality of life in the town and set the stage for changes that will have a lasting impact both on the short-term and long-term future.

The Little Elm Economic Development Corporation continues its work in attracting high quality businesses to Little Elm in order to increase both the tax base and local employment. The Town continues to benefit from other favorable conditions associated with a desirable location for work, destination, and living.

RELEVANT FINANCIAL POLICIES

Accounting System

The diverse nature of governmental operations and the necessity of complying with legal provisions require an accounting system unlike those used by commercial enterprises. Rather than establishing a single unified set of accounts for recording and summarizing all financial transactions, the accounts of the Town are organized on the basis of funds; each of which constitutes a separate accounting entity.

Accounting and Budgetary Controls

The Finance Department assures legal compliance with the budget and provides a check and balance system to maintain a solid assurance that the Town's assets are protected and safeguarded. We believe that the Town's accounting controls provide reasonable assurance that errors or irregularities would be detected within a timely period by employees in the normal course of performing their assigned function.

The Town's accounting records for general governmental operations are maintained on a modified accrual basis with the revenues being recorded when available and measurable, and expenditures being recorded when the goods or services are received and the liabilities are incurred. On the other hand, the Town's Proprietary Fund is maintained on a full accrual basis.

Relevant Financial Policies

The Town has establish reserve policies for its' operating funds. The Town will maintain a fund balance in its General Fund an amount equal to three months or 25% of the regular General Fund operating expenditures. Additionally, The Town will maintain a reserve of near cash and investments in the Water Wastewater Fund equal to two months (60 days) of the total operating revenue. The reserve will be calculated based on total operating revenues from the last audited financial statements of the Water Wastewater fund.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. This was the sixth year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, a municipality must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the Town Manager, Mayor and the Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Little Elm's finances.

Respectfully submitted,

Karla Stovall

Karla Stovall, CPM, CGFO
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Little Elm

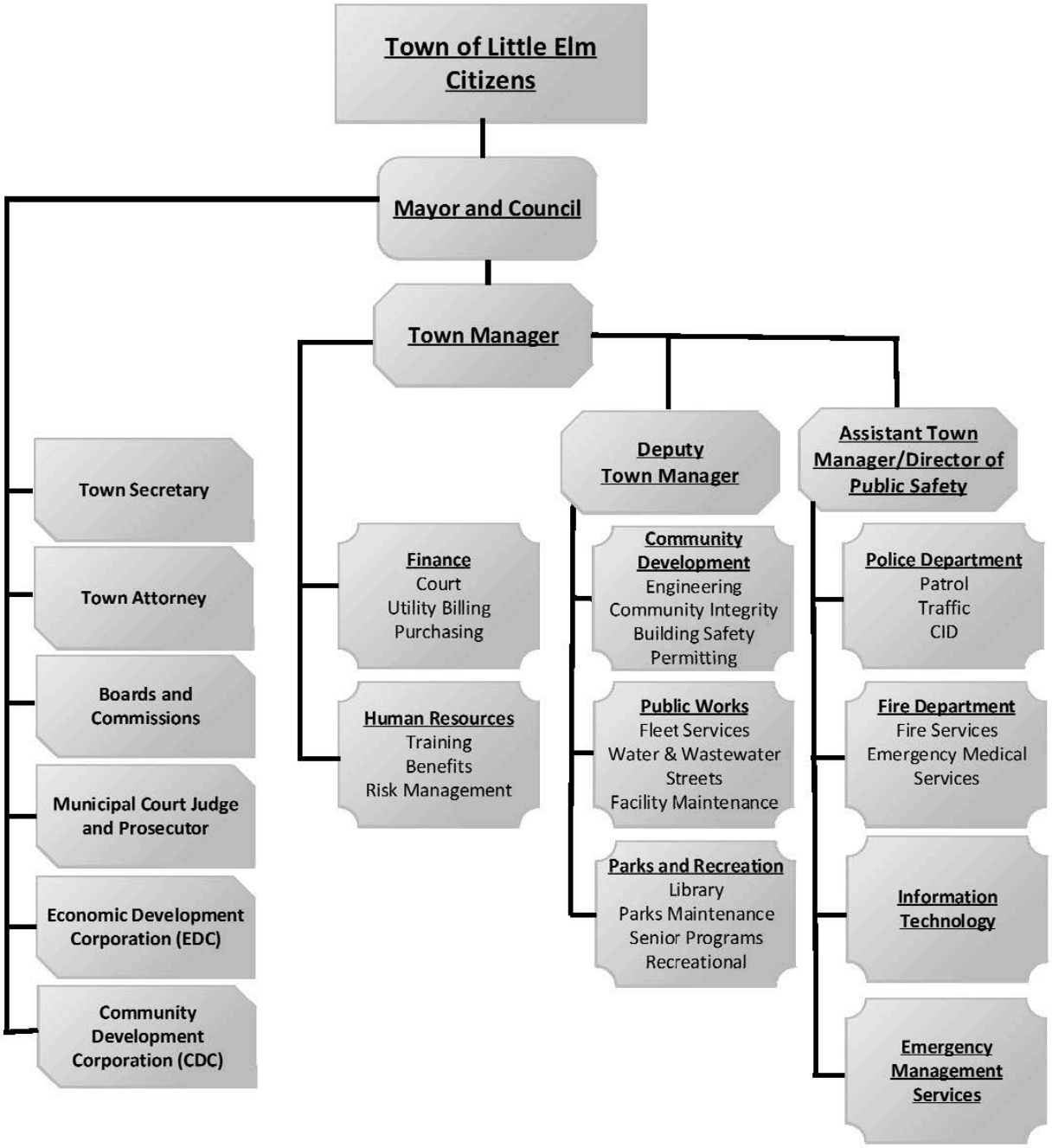
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

TOWN OF LITTLE ELM, TEXAS



TOWN OF LITTLE ELM, TEXAS

Town Officials

Council Members

David Hillock	Mayor
James Dominy	Place 2
Michael McClellan	Mayor Pro Tem, Place 1
Neil Blais	Place 3
Chip Norman	Place 4
Nick Musteen	Place 5
Stephanie Shoemaker	Place 6

Executive Staff

Matt Mueller	Town Manager
Doug Peach	Deputy Town Manager
Joe Florentino	Assistant Town Manager/Director of Public Safety
Karla Stovall	Chief Financial Officer
Rodney Harrison	Police Chief
Brian Roach	Fire Chief
Kathy Phillips	Town Secretary
Kevin Mattingly	Director of Public Works
Deidre Hale	Director of Human Resources
Chad Hyde	Director of Parks and Recreation
Jason Laumer	Director of Development Services
Jennette Killingsworth	EDC Executive Director

LITTLE ELM

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,
Town Council, and Town Manager
Town of Little Elm, TX

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Little Elm (the Town), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and TMRS pension schedules on pages 4–16, 62-64, and 65-67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 3, 2017

LITTLE ELM

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This section of the Town of Little Elm's (the TOLE) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent Fiscal year by $152,766,035 (net position). Of this amount $15,853,796 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by $12,823,698 during the fiscal year.
- The Town's total amount of outstanding debt is $105,677,043 which is a net increase of $7,431,172 over last year. Details can be found in the notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Little Elm's basic financial statements. The Town of Little Elm's basic financial statements comprise three components:

1) **Government-wide** financial statements
2) **Fund** financial statements
3) **Notes** to the financial statements

This report also contains other **supplementary information** in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The **government-wide financial statements** are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all the Town's assets and liabilities, and deferred inflows/outflows of resources with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the Town is improving or deteriorating. To assess the overall health of the Town, other non-financial factors should also be taken into consideration, such as changes in the Town's property tax base and the condition of the Town's infrastructure.

The **statement of activities** presents information showing how the Town's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

Both of the government-wide financial statements distinguish functions of the Town of Little Elm that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, community services, public safety, public works, and culture and recreation. The business-type activities of the Town include water and sewer services and solid waste services.

The government-wide financial statements include not only the Town of Little Elm itself (known as the primary government), but also three discretely presented component units. The Town's sales tax corporations are the Little Elm Economic Development Corporation 4A (LEEDC) and Little Elm Community Development Corporation 4B (LECDC), as well as Little Elm Tax Increment Reinvestment Zone (TIRZ) #3 the Lakefront District. Although legally separate, these component units operate under the criteria of board appointment and removal by the Town Council. Approval and oversight of capital projects as well as budget appropriations and approval is under the authorization of Town Council.

The government-wide financial statements can be found on pages 17-19 of this report.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by state law or bond covenants. However, the Town Council also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the Town of Little Elm can be divided into two categories: governmental funds and proprietary funds.

Governmental funds
Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Little Elm maintains several individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund and the Valencia capital projects fund, all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary Funds

Proprietary funds are generally used to account for services for which the Town charges customers-either outside customers or internal units or department of the Town. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and the solid waste fund, both of which are considered to be major enterprise funds in the Town of Little Elm. The internal service fund is also presented as a proprietary fund of the Town.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-61 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, the Town adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for the General Fund as required supplementary information to demonstrate compliance with this budget. In addition, a schedule of changes in net pension liability and related ratios and a schedule of contributions have been presented as required supplementary information.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information, as well as a budgetary comparison schedule for the debt service fund and fund financial statements for the component units.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of government's financial position. The Town's combined net position were $152,766,035 as of September 30, 2016. Analyzing the net position of the governmental and business-type activities separately, governmental activities' net position was $107,694,406 while business-type activities' net position was $45,071,629.

This analysis focuses on the net position (Table 1), and the change in net position (Table 2).

The largest portion of the Town's net position, $127,040,414 or 83% reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Condensed Schedule of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 36,851,207	$ 34,141,073	$ 19,416,739	$ 7,288,570	$ 56,267,946	$ 41,429,643
Capital assets	129,880,707	114,769,884	64,537,724	67,339,947	194,418,431	182,109,831
Total assets	166,731,914	148,910,957	83,954,463	74,628,517	250,686,377	223,539,474
Deferred outflows of resources	2,689,635	1,610,262	614,103	519,546	3,303,738	2,129,808
Current liabilities	4,648,742	4,870,694	1,980,779	2,293,145	6,629,521	7,163,839
Noncurrent liabilities	57,078,401	48,456,028	37,516,158	30,107,078	94,594,559	78,563,106
Total liabilities	61,727,143	53,326,722	39,496,937	32,400,223	101,224,080	85,726,945
Net position:						
Net investment in capital assets	89,811,757	77,934,036	37,228,657	38,387,629	127,040,414	116,321,665
Restricted	8,767,764	13,440,890	1,104,061	150,598	9,871,825	13,591,488
Unrestricted	9,114,885	5,819,571	6,738,911	4,209,613	15,853,796	10,029,184
Total net position	$ 107,694,406	$ 97,194,497	$ 45,071,629	$ 42,747,840	$ 152,766,035	$ 139,942,337

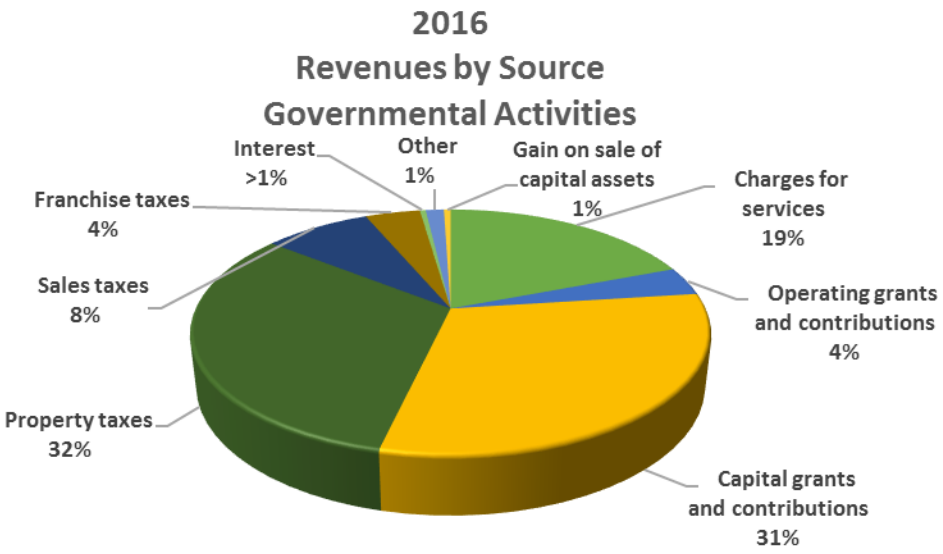
Of the Town's net position, $9,871,825 or 6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, $15,853,796, or 11% is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Analysis of the Town's Operations – As of September 30, 2016, the Town had an overall increase in net position of $12,823,698 for the government as a whole which represents an increase of $10,499,909 for governmental activities and an increase of $2,323,789 for business-type activities. The increase in governmental activities is primarily a result of an increase in revenue related to charges for services, capital grants and contributions, property taxes, gain on sale of assets and budgeted transfers. The increase in business-type activities is primarily a result of an increase in charges for services, investment income and water sales due to more moderate water restrictions which allowed residents to water more frequently. Water and sewer rates were increased in October 2015 as designed by a three-year rate structure adopted by Council in 2013. A summary of the Town's operations for the year ended September 30, 2016 is provided in Table 2.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 9,630,090	$ 8,103,006	$ 16,404,231	$ 15,180,833	$ 26,034,321	$ 23,283,839
Operating grants and contributions	1,888,507	2,330,627	-	23,964	1,888,507	2,354,591
Capital grants and contributions	15,400,107	4,480,887	2,387,592	3,593,256	17,787,699	8,074,143
General revenues:					-	
Property taxes	16,001,132	14,089,672	-	-	16,001,132	14,089,672
Sales taxes	4,010,218	3,540,489	-	-	4,010,218	3,540,489
Franchise taxes	2,065,392	2,100,586	110,588	119,560	2,175,980	2,220,146
Investment Income	222,137	155,456	75,463	29,969	297,600	185,425
Other	681,078	1,322,492	-	-	681,078	1,322,492
Gain on sale of capital assets	252,717	23,500	-	-	252,717	23,500
Total revenues	50,151,378	36,146,715	18,977,874	18,947,582	69,129,252	55,094,297
Expenses:						
General government	12,830,283	6,085,289	-	-	12,830,283	6,085,289
Community service	2,412,674	2,408,167	-	-	2,412,674	2,408,167
Public safety	17,166,375	12,583,312	-	-	17,166,375	12,583,312
Public works	4,894,523	6,956,858	-	-	4,894,523	6,956,858
Culture and recreation	2,838,232	2,424,055	-	-	2,838,232	2,424,055
Interest expense	1,552,317	1,707,491	-	-	1,552,317	1,707,491
Water and sewer services	-	-	12,813,910	9,597,743	12,813,910	9,597,743
Solid waste services	-	-	1,797,240	1,732,336	1,797,240	1,732,336
Total expenses:	41,694,404	32,165,172	14,611,150	11,330,079	56,305,554	43,495,251
Change in net position before transfers	8,456,974	3,981,543	4,366,724	7,617,503	12,823,698	11,599,046
Transfers	2,042,935	474,640	(2,042,935)	(474,640)	-	-
Change in net position	10,499,909	4,456,183	2,323,789	7,142,863	12,823,698	11,599,046
Net position - beginning	97,194,497	94,589,135	42,747,840	35,848,569	139,942,337	130,437,704
Net effect of accounting change	-	(1,850,821)	-	(243,592)	-	(2,094,413)
Net position - ending	$ 107,694,406	$ 97,194,497	$ 45,071,629	$ 42,747,840	$ 152,766,035	$ 139,942,337

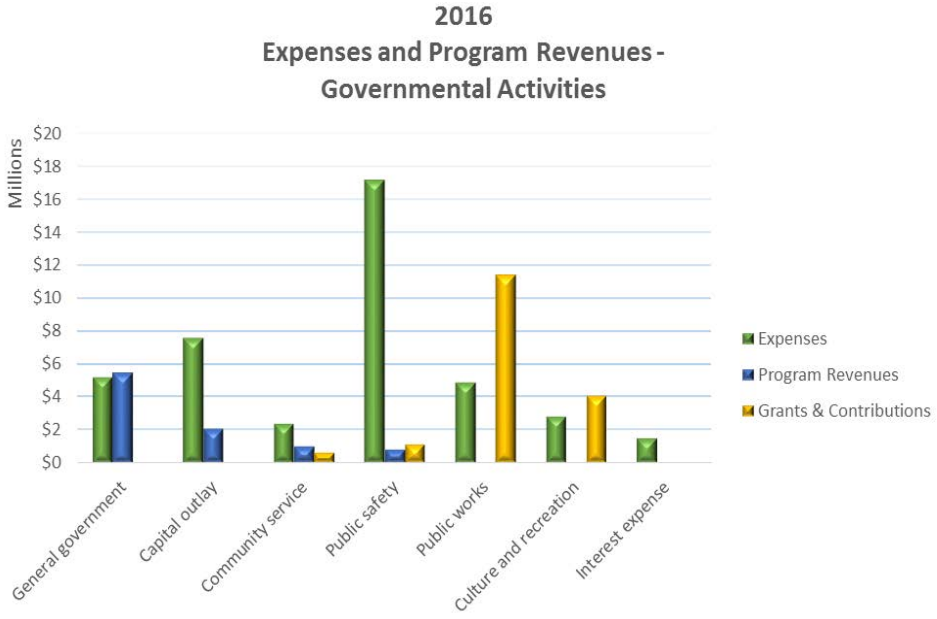
Governmental activities. The Town's revenues for governmental activities are detailed as follows:



Revenues for the Town's governmental activities increased by $14,004,663 due to an increase in capital grants and contributions. The major revenue sources, property tax and sales tax both reflected healthy increases. Major components of revenue increases and decreases are explained as follows:

- Property Taxes increased by $1,911,460 due to an increase of 14% from prior year's collections. This increase is due to new construction and reappraisal increases of existing real property.
- Sales Taxes increased by $469,729 or 13% due to new retail development and population growth in the Town. Approximately forty-five new commercial businesses added to the sales tax base for the Town as of September 30, 2016.
- Mixed beverage taxes increased $20,546 or 48% over the prior year reflecting commercial development in the local economy.
- Capital grants and contributions increased by $10,919,220 due to an increase in developer contributions and grants for public works.
- There was an increase in investment income of $66,681 or 43% due to the overall increase in the Town's cash reserves.

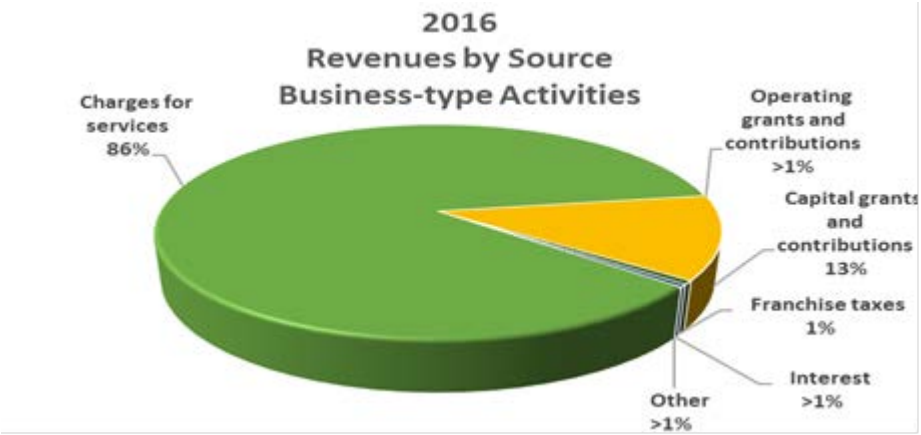
This chart below depicts governmental activity program revenues relative to program expenses:



Expenses for governmental activities increased by $9,529,232 or 30%. Components of increases and decreases are explained as follows:

- Expenses for general government increased by $6,744,994 or 111% due to various infrastructure needs, increase in the Town's share of healthcare costs and operational needs.
- Public safety activities expense increased by $4,583,063 or 36% which includes fire, police and animal control.
- Culture and recreation increased by $414,177 or 17% due to the continued promotion and expansion of activities and events for the Recreation Center.

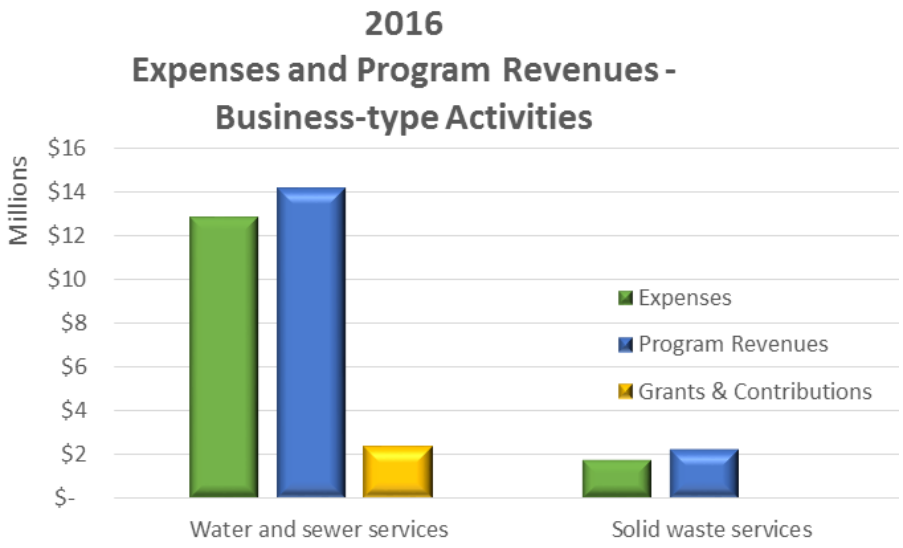
Business-type Activities: The Town's revenues by sources for business-type activities are detailed below along with an illustration between expenses and program revenues for business-type activities.



Business-type activities remained flat with a slight increase of $30,292 in FY16. Major components of the decreases/increases are as follows:

- There was an increase of $45,494 in investment income due to the overall increase in the Town's cash reserves.
- Capital grants and contributions decreased $1,205,664 due to reduction in developer contributions to the Town.
- Charges for services for business-type activities increased by 8% or 1,223,398. Water sales increased by 9% while sewer sales increased by 4% due to an increase in customer base including wholesale charges to customers in the Town's extraterritorial jurisdiction (ETJ).

The following chart illustrates the relationship between expenses and program revenues for business-type activities:

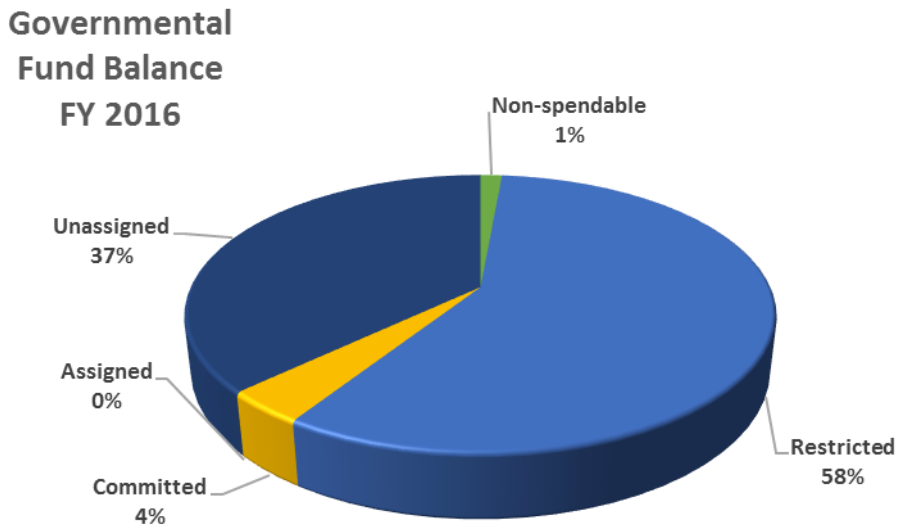


- The cost of water and sewer and solid waste services increased by $3,281,071 or 29%
- Charges for Services increased by $1,223,398 or 8%
- Grants and Contributions decreased by $1,229,628 or 34%

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS
As noted previously, the Town of Little Elm uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.



At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $29,812,142, an increase of $10,317,323 in comparison with the prior year. The unassigned fund balance increased $4,327,795 and therefore unassigned fund balance represents 37% available working capital which represents 135 days.

The General Capital Project Fund balance increased by $7,485,647 or 112% due to the bond sale in FY2016 for the design and construction of Fire Station #3, ladder fire truck, Lakefront trail improvements, McCord Park Phase #2, Harts Branch Trail, Brent Trail, and Recreation Center expansion.

Non-spendable and restricted funds indicate that they are not available for new spending allocations. The nonspendable portion includes prepaid items ($253,985), inventory ($168,962). Restricted funds are for debt service ($453,183), street maintenance ($188,290), court ($140,467), drainage improvements ($475,502), streetscape ($269,921), forfeiture ($27,803), government public access funds ($143,932), red light camera ($84,217) and various other restrictions ($69,363).

Committed to street development is ($1,153,748) restricted or committed to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the Town of Little Elm. At the end of the current fiscal year, unassigned fund balance of the General Fund was $11,028,718, while total fund balance was $11,328,143. Fund balance in the General Fund increased by $4,362,182, due to prudent, conservative management by Town Council and staff.

The Debt Service Fund has a total fund balance of $453,183 all of which is restricted for the payment of debt service. The Debt Service fund balance decreased by $552,193 due to the Town assuming the debt payment for debt originally paid by the LECDC. Town council approved the Town paying the debt as the Town is legally obligated for the debt. The reduction in fund balance was a timing issue which created a fluctuation in the fund balance.

Proprietary Funds
An analysis of the water and sewer fund is provided in the business-type activities discussion above. In addition, the net position of the solid waste fund increased $48,743, primarily due to an increase in charges for services resulting from Town growth.

General Fund Budgetary Highlights
Amendments made during fiscal year 2016 increased the original revenue budget by $856,874 and increased the expenditure budget by $3,740,042. Amendments were for insurance proceeds, grant awards, and unanticipated expenditures during the year. The final budgetary fund balance is $6,666,064. During the fiscal year the Town analyzes their quarterly financial statements and determines if a budget amendment is reasonable and necessary. All budget amendments receive scrutiny and Town Council approval through an ordinance.

CAPITAL ASSETS

The Town's investment in capital assets, for its governmental and business-type activities as of September 30, 2016, amount to $196,057,497 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, park facilities, vehicles, machinery and equipment, roads, bridges and water and sewer lines. About 66% of the capital assets are governmental and 34% are business-type activities.

Table 3
Capital Assets at Year-end
(net of accumulated depreciation)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 9,085,631	$ 9,085,631	$ 1,639,066	$ 1,639,066	$ 10,724,697	$ 10,724,697
Construction in progress	12,357,449	17,795,190	2,665,388	4,991,193	15,022,837	22,786,383
Buildings	24,093,109	24,758,274	31,461	36,022	24,124,570	24,794,296
Infrastructure	62,988,483	52,251,971	60,554,733	59,267,608	123,543,216	111,519,579
Other improvements	13,887,584	4,184,836	-	-	13,887,584	4,184,836
Machinery and equipment	7,468,451	6,693,982	1,286,142	1,406,058	8,754,593	8,100,040
Total	$ 129,880,707	$ 114,769,884	$ 66,176,790	$ 67,339,947	$ 196,057,497	$ 182,109,831

The major governmental-type capital improvement projects and developer contributions during the current fiscal year included the following:

- Doe Creek Road improvements
- Glencove Walls – West Gateway improvements
- Villa Paloma/Navo Road improvements
- Recreation Center expansion
- McCord Park improvements

There Business-type capital improvement projects and developer contributions during the current fiscal year.

- Dickson Road Hill Lane Utility improvements
- Waste Water Treatment Plant expansion
- Witt Road Street/Utility improvements

Additional information on the Town's capital assets can be found in Note 5 on page 46 of this report.

Debt Administration

As shown in Table 4, the Town's total outstanding debt at September 30, 2016 was $105,677,043 of which $57,078,401 was governmental, $37,516,158 was business-type and $11,082,484 was component units'. Total gross bonded debt was $82,329,999. Other long-term debt relates to compensated absences, notes payable, capital leases, unamortized premiums, and net pension liability.

Table 4
Outstanding Debt
Outstanding Debt and Long-Term Liabilities

	Governmental activities		Business-type activities		Component Units		Total Government	
	2016	2015	2016	2015	2016	2015	2016	2015
Gross bonded debt:								
General obligation	$ 27,943,052	$ 30,393,306	$ 7,796,947	$ 8,611,694	$ -	$ -	$ 35,739,999	$ 39,005,000
Certificates of obligation	19,620,000	10,450,000	26,970,000	20,210,000	-	-	46,590,000	30,660,000
Total bonded debt	47,563,052	40,843,306	34,766,947	28,821,694	-	-	82,329,999	69,665,000
Other long-term debt:								
Capital leases	52,905	147,095	-	-	-	-	52,905	147,095
Tax notes	1,550,000	1,885,000	-	-	-	-	1,550,000	1,885,000
Notes Payable	-	-	900,000	-	11,050,746	19,671,173	11,950,746	19,671,173
Unamortized premiums	1,452,101	764,575	1,009,615	623,322	31,738	-	2,493,454	1,387,897
Compensated absences	1,752,582	1,505,999	242,495	226,417	-	11,592	1,995,077	1,744,008
Net pension liability	4,707,761	3,310,053	597,101	435,645	-	-	5,304,862	3,745,698
Total other long-term debt	9,515,349	7,612,722	2,749,211	1,285,384	11,082,484	19,682,765	23,347,044	28,580,871
Total	$ 57,078,401	$ 48,456,028	$ 37,516,158	$ 30,107,078	$ 11,082,484	$ 19,682,765	$ 105,677,043	$ 98,245,871

The Town's tax support debt is rated an "AA-"Bond Rating from Standard and Poor's Rating Services. The Town is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term det. Additional information on the Town's outstanding debt can be found in Note 8 on pages 47-53 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Little Elm is one of the fastest growing areas in the nation and with that comes a tremendous number of challenges, but also outstanding opportunity. With this growth, there are new sources and higher amounts of revenue to be allocated in the annual budget, but there is also a mounting list of needs for programs and services to accommodate the growth and meet the expectations of the community.

The overall budget philosophy of the Town of Little Elm is to provide the highest level of service at the greatest value. This means that the Town must operate in the most effective and efficient method possible to accomplish this goal. The internal budgeting and review process is very stringent with department heads dissecting each other's budgets in a peer review process that seeks to ensure that every line item is carefully planned and all projects are justified.

Town staff has been working towards a multi-year approach to budgeting and achieved this objective with the 2017 annual budget. The goal has been to successfully present a five-year balanced budget (technically a one-year budget and a 4-year financial plan) to the Council for consideration. The purpose of the approach is to ensure that we are providing sustainable services in Little Elm's high growth environment. This is particularly important as we begin expanding services on Highway 380 to account for the new residents moving in to the area.

The 2016-2017 rate is at $.661687 per $100 of taxable value. Of the total tax rate, $.495731 is dedicated to general operations and maintenance (O&M) in the General Fund, and $.165956 is dedicated to general obligation debt service (I&S).

Some of the more significant upcoming capital projects are as follows: (Many of these projects cover many years, so they are not limited to the FY 16-17 budget.)

- Recreation Center Expansion - $5,800,000
- Fire Station #3 - $5,700,000
- Lakefront Trail Project - $3,200,000
- FM 423 East Trail Project - $425,000
- Hart's Branch Trail - $2,500,000
- Brent Trail - $441,000
- Dickson Road and Hill Lane - $809,000 plus Utility $934,000
- McCord Park Phase 1 - $3,200,000
- McCord Park Phase 2 – undetermined

The fiscal year 2016-2017 operating budget increased by 7% or $2,615,229, from fiscal year 2015-2016 budget. In general revenues for property taxes were budgeted with a 14% or $2,152,792 increase from fiscal year 2015-2016. General revenues for property taxes was budgeted with a 14% increase and a 9% increase was forecast for sales tax. Major increases in operational costs are:

- Compensation and Benefits Increase $528,800
- Additional Personnel (Includes positions added mid FY16) $1,586,457
- Cost of Water from North Texas $243,765
- TMRS Increase (Inlcudes new positions) $349,760

Three years ago, the Vehicle Equipment Replacement Fund (VERF) was established. Annual payments are be made by user departments to the fund on all pieces of equipment and vehicles so that when the item reaches the end of its useful life, the money is there ready to purchase its replacement. The total transfer to this fund in the 2017 budget is $1,051,428. Setting aside funds earmarked for future purchases lessens the need for large capital outlays when replacement is eventually required.

The total number of budgeted employees or FTE's (Full-time equivalents) is 254.7 for a salary cost of $13 million (includes proposed new positions) in FY17. With benefits the total is approximately $19.8 million. New positions budgeted for FY 2016-2017 are:

- Accountant, Finance
- Building Inspector, Development Services
- Patrol Officers (3), Police Department
- Community Integrity Specialist, Community Integrity
- Sign Flasher Technician, Street
- PT Fitness Desk Attendant (5), Recreation Center

The Town created TIRZ #6 in November 2016 to be contiguous with the Rudman Tract to help the area on the northern boundary of the Town develop. The Town on December 20, 2016 created the fourth PID for the Town of Little Elm. This PID is located north next to Highway 380 and will be identified as Lakeside Estates PID.

In the relatively brief span of four years, the Town of Little Elm has undergone two upgrades to its bond rating from Standard and Poor. Now standing at an enviable AA rating, the Town was AA- since the summer of 2013.

The strategic objective of the Town Council and staff was a strict continuation of conservative financial practices, implementing meticulous procedures to ensure expenditures. A move to a five-year outlook on budgeting helped staff see beyond the customary 12-month budgetary cycle, giving them a longer-term look at how to more modestly spend. Maintaining a monetary reserve that exceeds the standard also contributed to a stable financial position.

DISCRETELY PRESENTED COMPONENT UNITS

The Little Elm Economic Development Dorporation (LEEDC), Little Elm Community Development Corporation (LECDC) and Little Elm Tax Increment Reinvestment Zone (TIRZ) #3 have been included in the reporting entity as discretely presented component units since they provide benefits to other entities aside from the Town. Separate audited financial statements are not issued for EDC, CDC, OR TIRZ #3.

REQUEST FOR INFORMATION

This financial report is designed to proivde the Town Council, citizens, customers, bond rating agencies, investors and creditors with a general overview of the Town of Little Elm's financial position. Questions concerning any of the information provided in this report or requests for additonal financial information should be addressed to:

Finance Department
Town of Little Elm
100 W. Eldorado Parkway
Little Elm, TX 75068
(214) 975-0415
Or visit our website at: http://www.littleelm.org

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BASIC FINANCIAL STATEMENTS

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TOWN OF LITTLE ELM, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	$ 33,175,017	$ 14,581,095	$ 47,756,112	$ 1,023,671
Receivables (net of allowance for uncollectibles)	3,183,327	2,928,080	6,111,407	517,310
Due from other governments	-	78,018	78,018	-
Note receivable from primary government - current portion	-	-	-	100,000
Due from component unit	69,916	-	69,916	-
Prepaids	253,985	637	254,622	-
Inventories	168,962	189,843	358,805	-
Capital assets:				
Land	9,085,631	1,639,066	10,724,697	10,309,703
Depreciable assets, net	108,437,627	61,872,336	170,309,963	-
Construction in progress	12,357,449	2,665,388	15,022,837	-
Note receivable from primary government-noncurrent portion	-	-	-	800,000
Total assets	166,731,914	83,954,463	250,686,377	12,750,684
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	2,613,311	326,003	2,939,314	-
Deferred loss on refunding	76,324	288,100	364,424	-
Total deferred outflows of resources	2,689,635	614,103	3,303,738	-
LIABILITIES				
Accounts payable and other current liabilities	$ 3,506,424	$ 352,707	$ 3,859,131	$ 184,609
Accrued interest payable	249,862	223,834	473,696	54,349
Retainage payable	290,807	271,816	562,623	-
Customer deposits	601,649	1,132,422	1,734,071	-
Non-current liabilities:				
Due within one year	4,114,302	2,139,477	6,253,779	921,192
Due in more than one year	52,964,099	35,376,681	88,340,780	10,161,292
Total liabilities	61,727,143	39,496,937	101,224,080	11,321,442
NET POSITION (DEFICIT)				
Net investment in capital assets	89,811,757	37,228,657	127,040,414	(772,781)
Restricted:				
Construction	7,081,496	-	7,081,496	-
Enabling legislation	933,242	1,104,061	2,037,303	1,592,637
Streetscape	269,921	-	269,921	-
Debt service	260,667	-	260,667	142,707
Other	222,438	-	222,438	-
Unrestricted	9,114,885	6,738,911	15,853,796	466,679
Total net position (deficit)	$ 107,694,406	$ 45,071,629	$ 152,766,035	$ 1,429,242

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Functions/Programs:				
Governmental activities:				
General government	$ 12,830,283	$ 239,193	$ -	$ -
Community service	2,412,674	5,448,892	-	630,000
Public safety	17,166,375	2,096,745	1,120,746	-
Public works	4,894,523	999,412	309,431	11,136,047
Culture and recreation	2,838,232	845,848	458,330	3,634,060
Interest expense	1,552,317	-	-	-
Total governmental activities	41,694,404	9,630,090	1,888,507	15,400,107
Business-type activities:				
Water and sewer services	12,813,910	14,156,856	-	2,387,592
Solid waste services	1,797,240	2,247,375	-	-
Total business-type activities	14,611,150	16,404,231	-	2,387,592
Total primary government	$ 56,305,554	$ 26,034,321	$ 1,888,507	$ 17,787,699
Component Units:				
Economic Development Corporation	$ 1,470,391	$ -	$ 1,180,448	$ -
Community Development Corporation	729,135	-	8,177,105	-
Little Elm TIRZ#3	32,361	-	-	-
Total component units	$ 2,231,887	$ -	$ 9,357,553	$ -
General revenues:				
Property taxes, penalty, and interest				
Sales taxes				
Franchise taxes				
Interest				
Miscellaneous				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position (deficit) at beginning of year				
Net position, end of year				

The accompanying notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (12,591,090)	$ -	$ (12,591,090)	$ -
3,666,218	-	3,666,218	-
(13,948,884)	-	(13,948,884)	-
7,550,367	-	7,550,367	-
2,100,006	-	2,100,006	-
(1,552,317)	-	(1,552,317)	-
(14,775,700)	-	(14,775,700)	-
-	3,730,538	3,730,538	-
-	450,135	450,135	-
-	4,180,673	4,180,673	-
$ (14,775,700)	$ 4,180,673	$ (10,595,027)	$ -
$ -	$ -	$ -	(289,943)
-	-	-	7,447,970
-	-	-	(32,361)
$ -	$ -	$ -	$ 7,125,666
$ 16,001,132	$ -	$ 16,001,132	$ 47,611
4,010,218	-	4,010,218	2,518,039
2,065,392	110,588	2,175,980	-
222,137	75,463	297,600	15,598
681,078	-	681,078	48,506
252,717		252,717	-
2,042,935	(2,042,935)	-	-
25,275,609	(1,856,884)	23,418,725	2,629,754
10,499,909	2,323,789	12,823,698	9,755,420
97,194,497	42,747,840	139,942,337	(8,326,178)
$ 107,694,406	$ 45,071,629	$ 152,766,035	$ 1,429,242

TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Debt Service	Capital Projects	Valencia Capital Projects	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	$ 10,343,918	$ 410,950	$ 16,328,317	$ 3,059,054	$ 926,345	$ 31,068,584
Receivables, net of allowance for doubtful accounts						
Taxes	722,221	29,708	-	-	160,920	912,849
Franchise fees	867,580	-	-	-	-	867,580
Due from other governments	-	-	642,829	-	217,237	860,066
Other	344,046	-	-	-	198,786	542,832
Due from other funds	100,725	-	-	-	-	100,725
Due from component unit	-	69,916	-	-	-	69,916
Prepaids	253,985	-	-	-	-	253,985
Inventories	45,440	-	123,522	-	-	168,962
Total assets	$ 12,677,915	$ 510,574	$ 17,094,668	$ 3,059,054	$ 1,503,288	$ 34,845,499
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	$ 1,010,633	$ 45	$ 1,930,499	$ 318,135	$ 246,883	$ 3,506,195
Due to other funds	-	-	-	-	100,725	100,725
Accrued interest payable	-	29,146	-	-	-	29,146
Retainage payable	-	-	290,807	-	-	290,807
Deposits	38,610	-	563,039	-	-	601,649
Total liabilities	1,049,243	29,191	2,784,345	318,135	347,608	4,528,522
Deferred inflows of resources:						
Unavailable resources	300,529	28,200	150,000	-	26,106	504,835
Total deferred inflows of resources	300,529	28,200	150,000	-	26,106	504,835
FUND BALANCES						
Nonspendable	299,425	-	123,522	-	-	422,947
Restricted	-	453,183	12,883,053	2,740,919	1,129,574	17,206,729
Committed	-	-	1,153,748	-	-	1,153,748
Unassigned	11,028,718	-	-	-	-	11,028,718
Total fund balances	11,328,143	453,183	14,160,323	2,740,919	1,129,574	29,812,142
Total liabilities, deferred inflows of resources, and fund balances	$ 12,677,915	$ 510,574	$ 17,094,668	$ 3,059,054	$ 1,503,288	$ 34,845,499

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Total governmental fund balances	$	29,812,142
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds financial statements (less $2,447,200 in assets allocated to governmental activities from the internal service fund).		127,433,507
Accrued interest on governmental activities debt is not reported in the governmental funds financial statements until paid.		(220,716)
Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements.		504,835
Unamortized losses on refunding are not due and payable and, therefore are not reported in the governmental funds financial statements. In the government-wide financial statements, the losses are reported as deferred outflows of resources.		76,324
Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. This amount represents the assets less the liabilities of the internal service fund allocated to governmental activities.		4,553,404
Deferred outflows of resources related to the Town's net pension liability increase net position by $2,613,311.		2,613,311
Premiums on bond issuance for governmental activities debt are included in other financing sources in the governmental funds financial statements.		(1,452,101)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.		(1,752,581)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.		(53,873,719)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	107,694,406

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Debt Service	Capital Projects	Valencia Capital Projects	Nonmajor Governmental Funds	Total
Revenues:						
Taxes:						
Property taxes, penalty, and interest	$ 11,694,831	$ 4,501,046	$ -	$ -	$ 14,770	$ 16,210,647
General sales and use taxes	3,139,906	-	-	-	870,312	4,010,218
Other taxes and franchise fees	2,000,715	-	-	-	64,677	2,065,392
Licenses and permits	4,827,059	-	334,579	-	-	5,161,638
Intergovernmental	408,265	69,916	1,165,159	-	609,066	2,252,406
Charges for services	2,583,980	-	-	-	514,956	3,098,936
Impact fees	-	-	499,168	-	-	499,168
Fines	594,256	-	-	-	262,641	856,897
Contributions	-	-	3,634,060	260,904	5,250	3,900,214
Interest	81,041	18,805	101,080	-	8,365	209,291
Other revenues	508,757	-	187,577	-	30,535	726,869
Total revenues	25,838,810	4,589,767	5,921,623	260,904	2,380,572	38,991,676
Expenditures:						
Current:						
General government	3,896,083	-	2,341	92,507	18,989	4,009,920
Community services	2,638,775	-	279,182	-	-	2,917,957
Public safety	10,763,308	-	-	-	662,485	11,425,793
Public works	2,356,842	-	-	-	1,784,473	4,141,315
Culture and recreation	3,161,376	-	-	-	15,845	3,177,221
Debt service:						
Principal retirement	-	2,825,254	-	-	-	2,825,254
Interest and fiscal agent fees	-	1,629,989	235,309	-	-	1,865,298
Other debt service costs	-	597,105				597,105
Capital outlay	605,829	-	8,455,117	949,996	18,622	10,029,564
Total expenditures	23,422,213	5,052,348	8,971,949	1,042,503	2,500,414	40,989,427
Excess (deficiency) of revenues over (under) expenditures	2,416,597	(462,581)	(3,050,326)	(781,599)	(119,842)	(1,997,751)
Other financing sources (uses):						
Transfers in	1,898,332	-	745,664	-	100,000	2,743,996
Proceeds from sale of assets	252,717	-	-	-	-	252,717
Issuance of refunding bonds	-	6,725,000	-	-	-	6,725,000
Issuance of certificates of obligation	-	-	9,655,000	-	-	9,655,000
Premium on debt issuances	-	552,614	235,309	-	-	787,923
Payment to refunded bond escrow agent	-	(7,148,501)	-	-	-	(7,148,501)
Transfers out	(205,464)	(218,725)	(100,000)	-	(176,872)	(701,061)
Total other financing sources (uses)	1,945,585	(89,612)	10,535,973	-	(76,872)	12,315,074
Net change in fund balances	4,362,182	(552,193)	7,485,647	(781,599)	(196,714)	10,317,323
Fund balance at beginning of year	6,965,961	1,005,376	6,674,676	3,522,518	1,326,288	19,494,819
Fund balance, end of year	$ 11,328,143	$ 453,183	$ 14,160,323	$ 2,740,919	$ 1,129,574	$ 29,812,142

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM , TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - total governmental funds	$	10,317,323
Amounts reported for governmental funds in the statement of activities are different because:		
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		(92,087)
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is capitalized.		7,612,034
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of recording depreciation expense is to decrease net position.		(5,746,922)
Donation of property from developers is not reported in the governmental funds. However, in the statement of activities, the fair market value of those assets is recognized as revenue.		12,926,974
Forgiveness of a long-term note receivable is recorded as an expense in the government-wide financial statements.		(7,580,000)
The repayment of the principal of long term debt consumes the current financial resources of governmental funds, but has no effect on net position. The amortization of bond issuance costs, bond premiums, and deferred gain/loss on refunding of long term debt is reported in the statement of activities but does not require the use of current financial resources. Therefore the effect of the amortization of these various items are not reported in the statement of revenues, expenses, and changes in fund balance. This amount represents the net effect of the following items: o Debt issued ($16,380,000) o Bond premiums ($787,923) o Repayments $2,825,254 o Payment to refunded bonds escrow agent 7,148,501 o Amortization of premium on bonds, $100,397, less the amortization of deferred loss on refunding ($13,702)		(7,107,473)
Governmental funds reflect capital lease proceeds as other financing sources and payments as expenditures. This amount represents the amount of year payments which is reflected as a reduction of liabilities in the government-wide financial statements.		94,190
Changes in compensated absences are not reported in the fund financial statements. The net effect of the current year increase is to decrease net position.		(246,583)
Implementation of GASB 68 requires certain expenditures to be de-expended and recorded as deferred outflows of resources. The following is the net effect of the current year TMRS pension expense, ($1,812,043), and contributions made after the measurement date, $1,528,909.		(283,134)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, to individual funds. The net income of the internal service fund is allocated entirely to governmental activities.		588,972
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		16,615
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	10,499,909

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM , TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Water and Sewer	Solid Waste	Total	Governmental Activities- Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and cash equivalents	$ 14,270,629	$ 310,466	$ 14,581,095	$ 2,106,433
Receivables (net of allowance for uncollectibles)	2,722,853	205,227	2,928,080	-
Due from other governments	78,018	-	78,018	-
Inventories	189,843	-	189,843	-
Prepaids	637	-	637	-
Total current assets	17,261,980	515,693	17,777,673	2,106,433
Capital assets:				
Land	1,639,066	-	1,639,066	-
Depreciable assets, net	61,664,849	207,487	61,872,336	2,447,200
Construction in progress	2,665,388	-	2,665,388	-
Total capital assets	65,969,303	207,487	66,176,790	2,447,200
Total assets	83,231,283	723,180	83,954,463	4,553,633
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	326,003	-	326,003	-
Deferred loss on refunding	288,100	-	288,100	-
Total deferred outflows of resources	614,103	-	614,103	-
Total assets and deferred outflows of resources	$ 83,845,386	$ 723,180	$ 84,568,566	$ 4,553,633
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable and other accrued expenses	$ 192,264	$ 160,443	$ 352,707	$ 229
Accrued interest payable	223,834	-	223,834	-
Retainage payable	271,816	-	271,816	-
Customer deposits	1,132,422	-	1,132,422	-
Current portion of long-term debt	2,138,779	698	2,139,477	-
Total current liabilities	3,959,115	161,141	4,120,256	229
Long-term debt, net of current portion	35,376,681	-	35,376,681	-
Total liabilities	39,335,796	161,141	39,496,937	229
Net position:				
Net investment in capital assets	37,021,170	207,487	37,228,657	2,447,200
Restricted for:				
Impact fees	1,104,061	-	1,104,061	-
Unrestricted	6,384,359	354,552	6,738,911	2,106,204
Total net position	44,509,590	562,039	45,071,629	4,553,404
Total liabilities and net position	$ 83,845,386	$ 723,180	$ 84,568,566	$ 4,553,633

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water and Sewer	Solid Waste	Total	Governmental-Activities Internal Service Fund
Operating revenues:				
Water sales	$ 7,965,820	$ -	$ 7,965,820	$ -
Charges for sewer services	5,591,221	-	5,591,221	-
Tap, connections, and other fees	567,501	-	567,501	-
Charges for solid waste	-	2,241,090	2,241,090	-
Contributions	-	-	-	884,506
Other revenue	32,314	6,285	38,599	-
Total operating revenues	14,156,856	2,247,375	16,404,231	884,506
Operating expenses:				
Personnel services	1,936,407	38,971	1,975,378	-
Contractual services	204,879	1,673,028	1,877,907	-
Repairs and maintenance	230,709	52,166	282,875	-
Supplies	4,056,488	6,463	4,062,951	16,331
Depreciation and amortization	2,232,732	26,031	2,258,763	292,049
Other operating expenses	1,639,991	581	1,640,572	-
Total operating expenses	10,301,206	1,797,240	12,098,446	308,380
Operating income	3,855,650	450,135	4,305,785	576,126
Non-operating revenues (expenses):				
Taxes	-	110,588	110,588	-
Loss on sale of assets	(1,476,106)	-	(1,476,106)	-
Interest income	71,443	4,020	75,463	12,846
Interest expense	(1,036,598)	-	(1,036,598)	-
Total non-operating revenue (expenses)	(2,441,261)	114,608	(2,326,653)	12,846
Income before capital contributions and transfers	1,414,389	564,743	1,979,132	588,972
Capital contributions and transfers				
Capital contributions	1,407,189	-	1,407,189	-
Impact fees	980,403	-	980,403	-
Transfers in	218,725	-	218,725	-
Transfers out	(1,745,660)	(516,000)	(2,261,660)	-
Total capital contributions and transfers	860,657	(516,000)	344,657	-
Change in net position	2,275,046	48,743	2,323,789	588,972
Net position at beginning of year	42,234,544	513,296	42,747,840	3,964,432
Net position, end of year	$ 44,509,590	$ 562,039	$ 45,071,629	$ 4,553,404

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF CASH FLOWS
PROPIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water and Sewer	Solid Waste	Total	Governmental Activities- Internal Service Fund
Cash flow from operating activities:				
Receipts from customers and users	$ 14,621,775	$ 2,274,926	$ 16,896,701	$ 884,506
Payments to suppliers	(6,996,064)	(1,753,721)	(8,749,785)	(26,419)
Payments to employees	(1,629,932)	(12,906)	(1,642,838)	-
Net cash provided by operating activities	5,995,779	508,299	6,504,078	$ 858,087
Cash flow from noncapital financing activities:				
Transfers in	218,725	-	218,725	-
Transfers out	(1,745,660)	(516,000)	(2,261,660)	-
Taxes	-	110,588	110,588	-
Net cash used in noncapital financing activities	(1,526,935)	(405,412)	(1,932,347)	-
Cash flow from capital financing activities:				
Proceeds from long-term debt	9,243,050	-	9,243,050	-
Acquisition of capital assets	(1,104,037)	-	(1,104,037)	(610,786)
Impact fees	980,403	-	980,403	-
Principal paid on capital debt	(1,794,747)	-	(1,794,747)	-
Interest paid on capital debt	(989,179)	-	(989,179)	-
Net cash provided by (used by) capital financing activities	6,335,490	-	6,335,490	(610,786)
Cash flow from investing activities:				
Interest and dividends on investments	71,443	4,020	75,463	12,846
Net cash provided by investing activities	71,443	4,020	75,463	12,846
Net increase in cash and cash equivalents	10,875,777	106,907	10,982,684	260,147
Cash and cash equivalents, beginning of year	3,394,852	203,559	3,598,411	1,846,286
Cash and cash equivalents, end of the year	$ 14,270,629	$ 310,466	$ 14,581,095	2,106,433
Noncash transactions:				
Capital contributions	$ 1,407,189	$ -	$ 1,407,189	$ -

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS **(CONTINUED)**
STATEMENT OF CASH FLOWS
PROPIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Water and Sewer	Solid Waste	Total	Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 3,855,650	$ 450,135	$ 4,305,785	$ 576,126
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,232,732	26,031	2,258,763	292,049
Pension expense (income)	(210,344)	-	(210,344)	-
Effects of changes in assets and liabilities:				
Decrease (increase) in receivables	512,614	29,299	541,913	-
Decrease (increase) in inventories	(47,695)	-	(47,695)	-
Decrease (increase) in prepaids	(637)	-	(637)	
Increase (decrease) in payables	(449,837)	4,695	(445,142)	(10,088)
Increase (decrease) in deposits	87,105	-	87,105	-
Increase (decrease) in due to other governments	-	(1,748)	(1,748)	-
Increase (decrease) in compensated absences	16,191	(113)	16,078	-
Net cash provided by operating activities	$ 5,995,779	$ 508,299	$ 6,504,078	$ 858,087

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
SEPTEMBER 30, 2016

	PID Agency Fund
ASSETS	
Cash and cash equivalents	$ 2,234,115
Total Assets	$ 2,234,115
LIABILITIES	
Liability to bond holders	$ 2,234,115
Total Liabilities	$ 2,234,115

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2016

ASSETS	Economic Development Corporation	Community Development Corporation	Little Elm TIRZ #3	Total
Current assets:				
Cash and cash equivalents	$ 752,216	$ 205,380	$ 66,075	$ 1,023,671
Receivables (net of allowance for uncollectibles)	321,840	160,920	34,550	517,310
Note receivable from primary government-current	100,000	-	-	100,000
Noncurrent assets:				
Note receivable from primary government-noncurrent	800,000			800,000
Land	10,309,703	-	-	10,309,703
Total Assets	12,283,759	366,300	100,625	12,750,684
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	184,363	246	-	184,609
Accrued interest payable	54,349	-	-	54,349
Non-current liabilities:				
Due within one year	921,192	-	-	921,192
Due in more than one year	10,161,292	-	-	10,161,292
Total Liabilities	11,321,196	246	-	11,321,442
NET POSITION (DEFICIT)				
Net investment in capital assets	(772,781)	-	-	(772,781)
Restricted by enabling legislation	1,592,637	-	-	1,592,637
Restricted for debt service	142,707	-	-	142,707
Unrestricted	-	366,054	100,625	466,679
Total Net Position (Deficit)	$ 962,563	$ 366,054	$ 100,625	$ 1,429,242

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

		Program Revenues	
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:			
Economic Development Corporation	$ 1,470,391	$ 1,180,448	$ -
Community Development Corporation	729,135	8,177,105	-
Little Elm TIRZ#3	32,361	-	-
Total component units	$ 2,231,887	$ 9,357,553	$ -

General revenues:
Sales taxes
Property taxes
Investment income
Miscellaneous
Total general revenues
Change in net position
Net position (deficit) - beginning of year
Net position (deficit) - end of year

The accompanying notes to the basic financial statements are an integral part of this statement.

Component Units			
Economic Development Corporation	Community Development Corporation	Little Elm TIRZ#3	Total
$ (289,943)	$ -	$ -	$ (289,943)
-	7,447,970	-	7,447,970
-	-	(32,361)	(32,361)
$ (289,943)	$ 7,447,970	$ (32,361)	$ 7,125,666
$ 1,604,539	$ 853,037	60,463	$ 2,518,039
-	-	47,611	47,611
12,403	2,887	308	15,598
48,506	-	-	48,506
1,665,448	855,924	108,382	2,629,754
1,375,505	8,303,894	76,021	9,755,420
(412,942)	(7,937,840)	24,604	(8,326,178)
$ 962,563	$ 366,054	$ 100,625	$ 1,429,242

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Little Elm, Texas (the Town) is a municipal corporation governed by an elected mayor and six-member Town Council and provides the following services by its charter: public safety, public works, health, culture, recreation, community development, water and sewer utilities, and solid waste utilities.

The accounting and reporting policies of the Town conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that are used. The more significant accounting policies of the Town are described below.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the Town's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the Town's statement of net position includes both noncurrent assets and noncurrent liabilities of the Town. In addition, the government-wide statement of activities reflects depreciation expenses on the Town's capital assets, including infrastructure.

In addition to the government-wide financial statements, the Town has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

B. Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the Town is considered to be financially accountable. As required by GAAP, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. The discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the Town.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

Little Elm Economic Development Corporation

The Little Elm Economic Development Corporation (EDC) is a duly-established municipal corporation created under the provisions of Section 4A of the Development Corporation Act of 1976 as revised, with approval of the governing body of the Town of Little Elm. The EDC, a separate non-profit corporation, was formed in 1993 for the public purposes of the promotion and development of new and expanded business enterprises to provide and encourage employment in the furtherance of the public welfare and is operated primarily within the geographic boundaries of the Town. The affairs of the EDC shall be managed by a Board of Directors consisting of five members who shall be appointed by the Town council: one director from the Town council and four directors at-large. The EDC is supported by a half-cent sales tax voted by referendum in 1993. An Executive Director is appointed by the EDC Board to carry out the Board's administrative and policy initiatives. The EDC is considered part of the Town's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The EDC does not issue separate financial statements.

Little Elm Community Development Corporation

The Little Elm Community Development Corporation (CDC) is a separate entity formed in February 2007 to improve and expand park and recreation facilities from revenue generated through the Type 4B sales tax. The CDC operates under the authority of Section 2(11)-(A)-(E) and Section 4B of Article 5190.6 of Revised Civil Statutes, as amended. The CDC is considered part of the Town's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The CDC is a discretely presented component unit under the criteria of board appointment and removal by the Town Council, approval and oversight of capital projects as well as budget authorization and approval. The CDC does not issue separate financial statements.

Tax Increment Reinvestment Zone Number Three (TIRZ #3)

The Town created Tax Increment Reinvestment Zone Number Three (TIRZ#3) to provide additional financing resources to further enhance development within the zone. The Town Council appoints a Board and Board members are removable by the Town Council. TIRZ#3 commenced October 2013 and will terminate on December 31, 2043, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs , tax increment bonds, notes and obligations of the zone have been paid in full. Although TIRZ#3 is fiscally dependent on the Town, as the Town approves their budgets and any debt issuances, TIRZ#3 does not qualify for blending because its services directly benefit the community rather the Town itself. TIRZ#3 is reported as a discretely presented component unit of the Town and it does not issue separate financial statements

Tax Increment Reinvestment Zone Number Four (TIRZ #4)

The Town created Tax Increment Reinvestment Zone Number Four (TIRZ#4) to provide additional financing resources to further enhance development within the zone. The Town Council appoints a Board and Board members are removable by the Town Council. TIRZ#4 commenced December 2013 and will terminate on December 31, 2048, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs , tax increment bonds, notes and obligations of the zone have been paid in full. TIRZ#4 is fiscally dependent on the Town, as the Town approves their budgets and any debt issuances. TIRZ#4 qualifies for blending because the Board is the same as the Town Council. TIRZ#4 is reported as a blended component unit of the Town and it does not issue separate financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Financial Reporting Entity – Continued

Tax Increment Reinvestment Zone Number Five (TIRZ #5)

The Town created Tax Increment Reinvestment Zone Number Four (TIRZ#5) to provide additional financing resources to further enhance development within the zone. The Town Council appoints a Board and Board members are removable by the Town Council. TIRZ#5 commenced December 2014 and will terminate on December 31, 2049, or at an earlier time designated by subsequent ordinance, or at such time, subsequent to the issuance of tax increment bonds, if any, that all project costs , tax increment bonds, notes and obligations of the zone have been paid in full. TIRZ#5 is fiscally dependent on the Town, as the Town approves their budgets and any debt issuances. TIRZ#5 qualifies for blending because the Board is the same as the Town Council. TIRZ#5 is reported as a blended component unit of the Town and it does not issue separate financial statements.

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, the debt service fund, the capital projects fund, and the Valencia capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues or expenditures /expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The governmental fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Property taxes, sales taxes, franchise fees, certain other fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Accounting

The following major funds are used by the Town:

1. Governmental Funds:

Governmental Funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of changes in financial position, rather than on net income determination. The following is a description of the major Governmental Funds of the Town:

a. The **General Fund** is the Town's primary operating fund. This fund is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

b. The **Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general obligation long-term debt paid from taxes levied by the Town.

c. The **Capital Projects Fund** is used to account for the acquisition or construction of capital facilities and improvements except those being financed by proprietary funds.

d. The **Valencia Capital Projects Fund** is used to account for the acquisition or construction of capital facilities and improvements relating to the Valencia PID.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Fund Accounting – Continued

The Town reports the following non-major governmental funds.

a. **Grants Fund** accounts for grants distributed to the Town by the Texas State Comptroller of Public Accounts, the Department of Homeland Security, and other organizations such as the Texas Library Archives, and the Law Enforcement Officer Safety Education Program.

b. **Donations Fund** accounts for donations made by civic organizations, businesses, and citizens for specific uses which include the library, animal control center, police, and fire departments. Donations are generally donated for the purchase of equipment.

c. **Forfeitures Fund** accounts for fines and forfeiture of property resulting from criminal cases within the boundaries of the Town that have been adjudicated by the State of Texas in District Court.

d. **Street Maintenance Fund** accounts for the Town's 1/4 cent sales tax, which was approved by the citizens of Little Elm in May of 2009 and is restricted for the purpose of street maintenance.

e. **Red Light Camera Fund** accounts for proceeds and expenses related to red-light cameras.

f. **Stormwater Drainage Fund** accounts for fees charged for stormwater drainage services.

g. **PEG Fund** accounts for fees used to defer the cost of streaming Council meeting videos of all meetings to meet the objective of local government transparency.

h. **SAFER Grant Fund** accounts for proceeds and expenditures relating to the SAFER grant.

i. **Little Elm TIRZ#4 Fund** accounts for proceeds and expenditures relating to Little Elm Tax Increment Reinvestment Zone Number 4.

j. **Little Elm TIRZ#5 Fund** accounts for proceeds and expenditures relating to Little Elm Tax Increment Reinvestment Zone Number 5.

k. **Highway 380 MMD fund** accounts for the Town’s contributions to the Highway 380 Municipal Management District (MMD).

The Town reports the following fiduciary fund:

a. **Public Improvement District (PID) No. 4 Valencia Agency Fund** accounts for bond proceeds, assessments, and related debt associated with the issuance of bonds issued by the Town as an agent for the Public Improvement District.

Governmental funds with legally adopted annual budgets include the General Fund and the Debt Service Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Fund Accounting – Continued

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses including depreciation on capital assets) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following is a description of the major enterprise funds of the Town:

The Water and Sewer Fund is used to account for the operations of providing water and sewer services to residential and commercial customers.

The Solid Waste Fund is used to account for the collection of trash and recyclables from residential users.

Additionally, the Town reports an Internal Service Fund to account for the financing of goods or services provided by one department to other departments within the Town. The Vehicle Replacements fund is used to account for the acquisition and disposal of vehicles and large dollar equipment for the Town.

E. Cash and Cash Equivalents

Cash of all funds, excluding the Town's payroll clearing account, medical card account, and certain escrow accounts, is pooled into a common interest-earning bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the Town.

The Town may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements. Investments purchased with pooled cash, as well as separate investments, are recorded at fair value. The fair value is based on the market price. The fair value of the local government investment pools are the same as the fair value of the pool shares.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Inventories, Prepaid Items and Deferred Charges

Inventory is valued at cost (first-in, first-out). The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by non-spendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of fund balance. Inventories in the Proprietary Funds consist of meters and various supplies.

Prepaid balances are for payments made by the Town for which benefits extend beyond September 30, 2016, and the non-spendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Accounts Receivable

Accounts receivable consist primarily of amounts due from citizens for various services provided by the Town as well as property taxes, sales taxes receivable, franchise taxes and amounts due from other governments. Management evaluates the adequacy of the allowance for doubtful accounts based on a review of the aging of accounts and other specific information known by management.

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities acquired with tax-exempt debt is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 40
Infrastructure	10 - 25
Water and sewer system	40
Improvements other than buildings	7 - 40
Machinery and equipment	3 - 20

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Interfund Transactions

During the course of normal operations, the Town has transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. There is no interest charged between funds for these advances.

K. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

L. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources and pension expense, Town specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the Town's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Information regarding the Town's Total Pension Liability is obtained from TMRS through a report prepared for the Town by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Deferred Outflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has the following items that qualify for reporting in this category:

Deferred Loss on Refunding – these deferred outflows result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pensions – these deferred outflows result from pension contributions after the measurement date (deferred and recognized in the following fiscal year) and/or differences in projected and actual earnings on pension assets (deferred and amortized over a closed five year period).

O. Fund Equity

Governmental Funds:
The Town has adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions.

The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the Town classifies governmental fund balances as follows:

Nonspendable: includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted: includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed: includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority, which is the Town Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an ordinance adopted by the Town Council. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. Fund Equity – Continued

Assigned: includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used by the Town for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The Town Council has authorized the Town Manager or his or her designee as the official authorized person to assign fund balance to a specific purpose as approved by the fund balance policy.

Unassigned fund balance: is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Order of Expenditure of Funds: When multiple categories of fund balance are available for expenditure, the Town will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

Economic stabilization: It is the goal of the Town to achieve and maintain an unassigned fund balance in the General Fund equal to 25% of the budgeted expenditures in the General Fund for unanticipated expenditures, unforeseen revenue fluctuations, or other adverse circumstances. The fund balance level may be reduced to the equivalent of 15% of budgeted expenditures in unusual financial circumstances. If such a situation should occur, the Town will implement necessary corrective action with a three-year plan to restore the unassigned fund balance to the equivalent of 25% of budgeted expenditures.

Proprietary Funds:
Net position represents the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent debt proceeds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

P. Subsequent Events

The Town has evaluated all events or transactions that occurred after September 30, 2016 up through March 3, 2017, the date the financial statements were issued. Significant subsequent events are described in Note 14.

NOTE 2. CASH AND INVESTMENTS

The Town has adopted an investment policy pursuant to Chapter 2256 of the Texas Government Code, which authorizes the Town's investments in United States government obligations and its agencies, obligations of Texas and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers' acceptances, government pools, and money market funds. The Town selects its investments based on safety, liquidity, yield, and public trust.

NOTE 2. CASH AND INVESTMENTS – CONTINUED

The EDC can invest in obligations of the United States Treasury, the State of Texas, certain United States Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds, and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At year end, the carrying amount of the Town's deposits was $ 45,718,179 and the bank balance was $ 51,514,627 . The bank balance was completely covered by federal deposit insurance and collateral held by the pledging financial institution in the Town's name.

Cash and investments as of September 30, 2016 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Primary Government:	
Cash and cash equivalents	$ 47,756,112
Fiduciary Fund:	
Cash and cash equivalents	2,234,115
Component Unit:	
Cash and cash equivalents	1,023,671
Total cash and investments	$ 51,013,898
Cash on hand:	$ 2,550
Deposits with financial institution	45,718,179
Investments	5,293,169
Total cash and investments	$ 51,013,898

The table below identifies the investment types that are authorized for the Town by the Public Funds Investment Act. (Government Code Chapter 2256) The table also identifies certain provisions of the Town's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury obligations	2 years	None	None
U.S. Agency obligations	2 years	None	None
Certificates of deposit	2 years	None	None
Direct repurchase agreements	2 years	None	None
No-load money market mutual funds	2 years	None	None
Direct obligations of State of Texas	2 years	None	None
Investment pools	2 years	None	None

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Disclosures relating to interest rate risk – continued

In accordance with its investment policy, the Town manages its exposure to declines in fair value by limiting the weighted average maturity of its non-bond proceed investments to no more than nine months.

As of September 30, 2016, the Town had the following investments:

Investment Type	Amount	Weighted Average Maturity
Mutual Funds	$ 5,293,169	52

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the Town's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
Mutual Funds	$ 5,293,169	N/A	AAA-m

Concentration of credit risk

The Town's investment policy is to avoid a concentration of assets in a specific maturity, a specific issue, or a specific class of investments.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

The Town requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the Town's depository in the Town's name and held by the depository's agent.

As of September 30, 2016 the Town deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

NOTE 2. CASH AND INVESTMENTS – CONTINUED

Custodial credit risk – continued

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The Town has recurring fair value measurements as presented in the table below. The Town's investment balances and weighted average maturity of such investments are as follows:

		Fair Value Measurements Using				
	Value at September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Weighted Average Maturity (Days)
Investments by Fair Value Level:						
Marketable Equity Securities:						
Mutual Funds	$ 5,293,169	$ 5,293,169	$ -	$ -	100.00%	52
Total Value	$ 5,293,169	$ 5,293,169	$ -	$ -		

Mutual funds reported as level 1 are valued at the net asset value (NAV) of shares held by the Town at year end. The NAV is a quoted price in an active market.

NOTE 3. PROPERTY TAXES

Taxes are levied on October 1 and are payable until January 31 without penalty. Property taxes attach as an enforceable lien on property as of January 1. The total assessed value upon which the fiscal 2016 levy was based was approximately $2,406,000,000. Such assessed value was computed based on 100% appraised values.

Article XI, Section 5 of the Texas Constitution allows a tax rate up to $2.50 per $100 valuation. Further, Section 8.03B of the Town's Home-Rule Charter provides that the "Town Council shall have the power, and is hereby authorized to levy, assess, and collect annual taxes not to exceed the maximum limit set by the Constitution and laws of the State of Texas, as they now exist or as they may be amended, on each one hundred dollars ($100.00) assessed valuation". The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2016 was $0.661687 per $100 of assessed valuation. Current tax collections for the year ended September 30, 2016 were approximately 99% of the tax levy.

NOTE 4. RECEIVABLES

Receivables as of year-end for the government's individual major funds, non-major funds in the aggregate and discretely presented component units, including the applicable allowances for uncollectible accounts as of September 30, 2016 are as follows:

	Governmental Funds					
	General	Debt Service	Capital Projects	Valencia Capital Projects	Nonmajor Funds	Total
Ad valorem taxes	$ 99,111	$ 37,509	$ -	$ -	$ -	$ 136,620
Sales taxes	643,679	-	-	-	160,920	804,599
Court	990,238	-	-	-	511,593	1,501,831
Ambulance	473,796	-	-	-	-	473,796
Storm drainage	-	-	-	-	122,403	122,403
Franchise fees	867,580	-	-	-	14,866	882,446
Intergovernmental	-	-	642,829	-	-	642,829
Other	54,127	-	-	-	252,407	306,534
Gross receivables	3,128,531	37,509	642,829	-	1,062,189	4,871,058
Less: allowances	(1,194,684)	(7,801)	-	-	(485,246)	(1,687,731)
Net total receivables	$ 1,933,847	$ 29,708	$ 642,829	$ -	$ 576,943	$ 3,183,327

	Proprietary Funds		
	Water and Sewer	Solid Waste	Total
Customer accounts	2,018,140	$ 225,050	$ 2,243,190
Other	837,401	-	837,401
Gross receivables	2,855,541	225,050	3,080,591
Less: allowances	(132,688)	(19,823)	(152,511)
Net total receivables	$ 2,722,853	$ 205,227	$ 2,928,080

	Component Units			
	EDC	CDC	TIRZ	Total
Sales taxes	$ 321,840	$ 160,920	$ 34,550	$ 517,310
Total receivables	$ 321,840	$ 160,920	$ 34,550	$ 517,310

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 9,085,631	$ -	$ -	$ -	$ 9,085,631
Construction in progress	17,795,190	9,139,830	-	(14,577,571)	12,357,449
Total capital assets, not being depreciated	26,880,821	9,139,830	-	(14,577,571)	21,443,080
Capital assets being depreciated:					
Infrastructure	87,907,463	10,103,719	-	4,536,988	102,548,170
Buildings	28,124,915	38,650	-	-	28,163,565
Improvements other than buildings	5,688,919	27,963	-	10,040,583	15,757,465
Machinery and Equipment	12,878,081	1,839,632	(614,482)	-	14,103,231
Total capital assets being depreciated	134,599,378	12,009,964	(614,482)	14,577,571	160,572,431
Less accumulated depreciation for:					
Infrastructure	35,655,492	3,904,195	-	-	39,559,687
Buildings	3,366,641	703,815	-	-	4,070,456
Improvements other than buildings	1,504,083	365,798	-	-	1,869,881
Machinery and Equipment	6,184,099	1,065,163	(614,482)	-	6,634,780
Total accumulated depreciation	46,710,315	6,038,971	(614,482)	-	52,134,804
Total capital assets being depreciated, net	87,889,063	5,970,993	-	14,577,571	108,437,627
Governmental activities capital assets, net	$ 114,769,884	$ 15,110,823	$ -	$ -	$ 129,880,707

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	$ 1,639,066	$ -	$ -	$ -	$ 1,639,066
Construction in progress	4,991,193	2,079,487	-	(4,405,292)	2,665,388
Total capital assets, not being depreciated	6,630,259	2,079,487	-	(4,405,292)	4,304,454
Capital assets being depreciated:					
Buildings	173,679	-	-	-	173,679
Water system improvements	42,231,261	707,162	(2,500,000)	2,418,152	42,856,575
Sewer system improvements	30,467,670	662,552	-	1,987,140	33,117,362
Machinery and equipment	2,794,463	85,919	(79,380)	-	2,801,002
Total capital assets being depreciated	75,667,073	1,455,633	(2,579,380)	4,405,292	78,948,618
Less accumulated depreciation for:					
Buildings	137,657	4,561	-	-	142,218
Water system improvements	6,341,119	1,175,802	-	-	7,516,921
Sewer system improvements	7,090,204	812,079	-	-	7,902,283
Machinery and equipment	1,388,405	205,835	(79,380)	-	1,514,860
Total accumulated depreciation	14,957,385	2,198,277	(79,380)	-	17,076,282
Total capital assets being depreciated, net	60,709,688	(742,644)	(2,500,000)	4,405,292	61,872,336
Business-type activities capital assets, net	$ 67,339,947	$ 1,336,843	$ (2,500,000)	$ -	$ 66,176,790

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 206,455
Public safety	3,958,011
Public works	926,677
Culture and recreation	655,779
Internal service fund	292,049
	$ 6,038,971
Business-type activities:	
Solid Waste	$ 26,031
Water and Sewer	2,172,246
	$ 2,198,277

NOTE 6. TRANSFERS

Transfers are used to provide funds for debt service, contributions for capital construction, cost allocations and other operational costs as determined by the Town's annual budget. Transfers between funds during the year were as follows:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Solid Waste Fund	$ 175,000	For miscellaneous administrative expenses
General Fund	Water and Sewer Fund	1,717,160	For miscellaneous administrative expenses
Water and Sewer Fund	Debt Service Fund	218,725	Funding for debt service
Capital Projects Fund	General Fund	205,464	Provide funding assistance for capital projects
Capital Projects Fund	Non-major Fund	170,700	Provide funding assistance for capital projects
General Fund	Non-major Fund	6,172	To help offset the cost of the bailiffs during court to PD
Non-major Fund	Capital Projects Fund	100,000	To assist with drainage project at McCord Park
Capital Projects Fund	Solid Waste Fund	341,000	Provide funding assistance for capital projects
Capital Projects Fund	Water and Sewer Fund	28,500	Provide funding assistance for capital projects
		$ 2,962,721	

NOTE 7. DEFERRED INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total
Property taxes	$ 74,395	$ 28,200	$ -	$ -	$ 102,595
Court fines	53,395	-	-	-	53,395
Other	172,739	-	150,000	26,106	348,845
Total	$ 300,529	$ 28,200	$ 150,000	$ 26,106	$ 504,835

NOTE 8. LONG-TERM DEBT

The Town of Little Elm issues general obligation bonds, certificates of obligation and revenue bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The Town also issues revenue bonds where the Town pledges income derived from the acquired or constructed assets, or sales tax to pay the debt service.

During the year ended September 30, 2016, the Town issued $9,655,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016. Proceeds from the sale of the notes will be used for the purpose of acquiring, constructing, improving and equipping municipal park and recreational facilities, including the acquisition of land therefor and constructing, improving and equipping fire-fighting facilities, including the acquisition of a fire truck.

During the year ended September 30, 2016, the Town issued $7,640,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016. Proceeds from the sale of the notes will be used for the purpose of improvements and extensions to the Town's Waterworks and Sewer System, including the acquisition of land and rights-of-way therefor.

NOTE 8. LONG-TERM DEBT – CONTINUED

During the year ended September 30, 2016, the Town issued $6,725,000 General Obligation Refunding Bonds, Series 2016. Net proceeds from the sale, including a $389,159 issuer contribution, totaled $7,672,555. Of these proceeds, $7,148,501 was placed with an escrow agent to provide for all future debt payments of the refunded bonds.

This refunding resulted in a decrease in the Town's debt service payments of $976,566, which resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of $896,706.

As a result of this transaction, $7,410,000 of general obligation bonds were refunded and are considered legally defeased. As such, they are no longer included as liabilities in the Town's basic financial statements. In previous years, the Town also legally defeased certain outstanding general obligation debt by placing funds into irrevocable trusts pledged to pay all future debt service payments of the refunded debt.

Capital Leases – all assets acquired by the Town under existing capital leases are below the Town's capitalization threshold; and, therefore, have not been capitalized.

Changes in Long-term Liabilities

The following is a summary of changes in long-term debt for the year ended September 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
Governmental activities:					
General obligation bonds	$ 30,393,306	$ 6,725,000	$ (9,175,254)	$ 27,943,052	$ 2,106,897
Unamortized bond premium	764,575	787,923	(100,397)	1,452,101	-
Certificates of obligation	10,450,000	9,655,000	(485,000)	19,620,000	840,000
Tax Notes	1,885,000	-	(335,000)	1,550,000	345,000
Capital leases	147,095	-	(94,190)	52,905	34,972
Compensated absences	1,505,999	1,584,881	(1,338,298)	1,752,582	787,433
Net pension liability	3,310,053	1,397,708	-	4,707,761	-
	48,456,028	20,150,512	(11,528,139)	57,078,401	4,114,302
Business-type activities:					
General obligation bonds	8,611,694	-	(814,747)	7,796,947	823,104
Certificates of obligation	20,210,000	7,640,000	(880,000)	26,970,000	1,120,000
Unamortized bond premium	623,322	441,594	(55,301)	1,009,615	-
Compensated absences	226,417	208,201	(192,123)	242,495	96,373
Note payable to EDC	-	1,000,000	(100,000)	900,000	100,000
Net pension liability	435,645	161,456	-	597,101	-
	30,107,078	9,451,251	(2,042,171)	37,516,158	2,139,477
Total Primary Government	$ 78,563,106	$ 29,601,763	$ (13,570,310)	$ 94,594,559	$ 6,253,779
Component Units:					
Notes payable - EDC	$ 12,091,173	$ -	$ (1,040,427)	$ 11,050,746	$ 914,382
Notes payable - CDC	7,580,000	-	(7,580,000)	-	-
Compensated absences	11,592	26,956	(6,810)	31,738	6,810
	$ 19,682,765	$ 26,956	$ (8,627,237)	$ 11,082,484	$ 921,192

NOTE 8. LONG-TERM DEBT – CONTINUED

Changes in Long-term Liabilities – Continued

Long-term debt of the Town is comprised of the following individual issues as of September 30, 2016:

	Outstanding		Outstanding	
General Obligation Bonds	Governmental	Due in one year	Business-Type	Due in one year
$10,000,000 Series 2009 Combination Tax and Revenue General Obligation due in annual installments of $210,000 to $475,000 through August 2027, plus interest at 4.00% to 4.50%	7,540,000	425,000		
$9,135,000 Series 2010 Refunding and Improvement General Obligation due in annual installments of $195,000 to $655,000 through August 2030, plus interest at 2.00% to 5.00%	7,288,053	436,897		
$2,735,000 Series 2012A General Obligation due in annual installments of $130,000 to $210,000 through September 2027, plus interest at 2.09%	2,110,000	175,000		
$2,520,000 Series 2010 Combination Tax and Revenue Refunding General Obligation due in annual installments of $185,000 to $280,000 through August 2030, plus interest at 2.00% to 5.00%			$ 981,947	$ 213,104
$6,985,000 Series 2012 Combination Tax and Revenue Refunding General Obligation due in annual installments of $300,000 to $700,000 through August 2024, plus interest at 2.00% to 3.00%	2,480,000	380,000	2,175,000	245,000
$6,725,000 Series 2016 General Obligation Refunding Bonds due in annual installments of $375,000 to $735,000 through August 2027, plus interest at 2.00% to 5.00%	6,725,000	570,000	-	-
$4,550,000 Series 2014 General Obligation Refunding Bonds due in annual installments of $235,000 to $375,000 through August 2029, plus interest at 2.00% to 4.00%	1,800,000	120,000	2,255,000	145,000
$3,040,000 Series 2013 General Obligation Refunding due in annual installments of $205,000 to $525,000 through September 2025, plus interest at 2.00% to 2.50%			2,385,000	220,000
	$ 27,943,053	$ 2,106,897	$ 7,796,947	$ 823,104

NOTE 8. LONG-TERM DEBT – CONTINUED

Changes in Long-term Liabilities – Continued

Certificates of Obligation	Outstanding Governmental	Due in one year	Outstanding Business-Type	Due in one year
$2,500,000 Series 2009A Combination Tax and Revenue Certificates of Obligation due in annual installments of $75,000 to $190,000 through August 2029, plus interest at 3.00% to 5.00%	$ 1,885,000	$ 105,000		
$6,000,000 Series 2013 Combination Tax and Revenue Certificates of Obligation due in annual installments of $150,000 to $335,000 through August 2028, plus interest at 1.50% to 3.00%	5,340,000	260,000		
$3,000,000 Series 2013A Combination Tax and Revenue Certificates of Obligation due in annual installments of $130,000 to $210,000 through August 2033, plus interest at 1.50% to 3.50%	2,740,000	130,000		
$9,966,000 Series 2015 Combination Tax and Revenue Certificates of Obligation due in annual installments of $275,000 to $630,000 through August 2036, plus interest at 2.00% to 3.50%	$ 9,655,000	$ 345,000		
$7,640,000 Series 2016 Combination Tax and Revenue Certificates of Obligation due in annual installments of $205,000 to $510,000 through August 2036, plus interest at 2.00% to 5.00%			$ 7,640,000	$ 205,000
$6,500,000 Series 2008 Combination Tax and Revenue Certificates of Obligation due in annual installments of $160,000 to $455,000 through August 2034, plus interest at 4.15% to 5.20%			$ 5,610,000	$ 205,000
$10,000,000 Series 2009 Combination Tax and Revenue Certificates of Obligation due in annual installments of $145,000 to $735,000 through August 2034, plus interest at 2.75% to 5.25%			9,035,000	345,000
$6,000,000 Series 2012 Combination Tax and Revenue Certificates of Obligation due in annual installments of $280,000 to $495,000 through August 2027, plus interest at 2.00% to 2.38%			4,685,000	365,000
	$ 19,620,000	$ 840,000	$ 26,970,000	$ 1,120,000

Tax Notes	Outstanding Governmental	Due in one year	Outstanding Business-Type	Due in one year
$1,990,000 Series 2014 Tax Notes due in annual installments of $230,000 to $250,000 through September 2021, plus interest at 1.77%	$ 1,550,000	$ 345,000	$ -	$ -
	$ 1,550,000	$ 345,000	$ -	$ -

NOTE 8. LONG-TERM DEBT – CONTINUED

Changes in Long-term Liabilities – Continued

The annual aggregate maturities for each bond type are as follows:

General Obligation Bonds

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	$ 2,106,897	$ 781,775	$ 2,888,672	$ 823,104	$ 158,986	$ 982,090
2018	2,223,540	733,760	2,957,300	836,461	144,793	981,254
2019	2,191,004	683,693	2,874,697	858,996	129,927	988,923
2020	2,235,394	629,621	2,865,015	859,603	113,437	973,040
2021	2,331,217	573,415	2,904,632	813,783	96,601	910,384
2022-2026	11,155,000	2,016,116	13,171,116	3,035,000	260,075	3,295,075
2027-2030	5,700,000	542,233	6,242,233	570,000	43,400	613,400
Total	$ 27,943,052	$ 5,960,613	$ 33,903,665	$ 7,796,947	$ 947,219	$ 8,744,166

Certificates of Obligation

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	$ 840,000	$ 734,928	$ 1,574,928	$ 1,120,000	$ 799,381	$ 1,919,381
2018	1,020,000	552,293	1,572,293	1,215,000	770,619	1,985,619
2019	800,000	532,268	1,332,268	1,260,000	739,944	1,999,944
2020	960,000	511,893	1,471,893	1,315,000	709,219	2,024,219
2021	970,000	488,593	1,458,593	7,410,000	3,006,431	10,416,431
2022-2026	5,210,000	2,066,410	7,276,410	7,420,000	1,870,805	9,290,805
2027-2031	5,685,000	1,216,960	6,901,960	6,720,000	588,408	7,308,408
2032-2036	4,135,000	315,707	4,450,707	510,000	-	510,000
Total	$ 19,620,000	$ 6,419,052	$ 26,039,052	$ 26,970,000	$ 8,484,807	$ 35,454,807

Tax Notes

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	$ 345,000	$ 27,435	$ 372,435	$ -	$ -	$ -
2018	350,000	21,329	371,329	-	-	-
2019	360,000	15,134	375,134	-	-	-
2020	245,000	8,762	253,762	-	-	-
2021	250,000	4,425	254,425	-	-	-
Total	$ 1,550,000	$ 77,085	$ 1,627,085	$ -	$ -	$ -

Capital Leases

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	$ 34,972	$ 2,660	$ 37,632	$ -	$ -	$ -
2018	17,933	902	18,835	-	-	-
Total	$ 52,905	$ 3,562	$ 56,467	$ -	$ -	$ -

Note Payable to EDC

Fiscal Year Ending September 30,	Governmental Activities			Business Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	$ -	$ -	$ -	$ 100,000	$ -	$ 100,000
2018	-	-	-	100,000	-	100,000
2019	-	-	-	100,000	-	100,000
2020	-	-	-	100,000	-	100,000
2021	-	-	-	100,000	-	100,000
2022-2026	-	-	-	400,000	-	400,000
Total	$ -	$ -	$ -	$ 900,000	$ -	$ 900,000

NOTE 8. LONG-TERM DEBT – CONTINUED

Changes in Long-term Liabilities – Continued

As noted, the Town has legally defeased certain outstanding general obligation debt by placing funds into irrevocable trusts pledged to pay all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Town's long-term debt. Defeased debt as of September 30, 2016 consists of the following:

Series	Type	Amount
2005	General Obligation Bonds	$ 3,250,000
2006	General Obligation Bonds	4,160,000
		$ 7,410,000

Compensated Absences

Substantially all vacation and sick leave is paid by the General Fund.

Discretely presented component units – Economic Development Corporation

Notes payable of the Little Elm Economic Development Corporation as of September 30, 2016 are as follows:

Payee	Description	Balance 09/30/16
Southside Bank	$7,780,815, payable to bank, made October 2011, payable in semi-annual installments of $272,111 through September 15, 2031, including interest at 3.5%.	$ 6,349,445
Southside Bank	$2,000,000, payable to bank, made May 2013, payable in semi-annual installments of $72,366 through September 15, 2031, including interest at 3.3%	1,704,048
Southside Bank	$2,543,750, payable to bank, made January 2015, payable in semi-annual installments of $87,965 through November 15, 2034, including interest at 3.4%	2,397,253
The Parker Corporation	$1,200,000 payable to company, made November 15, 2014, payable in annual installments of $400,000, final payment $200,000 November 15, 2017. No interest.	600,000
		$ 11,050,746

Annual debt service requirements for the Economic Development Corporation loans are as follows:

Year	Principal	Interest	Total
2017	$ 914,382	$ 341,862	$ 1,256,244
2018	731,622	324,622	1,056,244
2019	549,440	306,804	856,244
2020	567,855	288,389	856,244
2021	586,887	269,357	856,244
2022-2026	3,243,016	1,038,203	4,281,219
2027-2031	3,824,185	457,034	4,281,219
2032-2035	633,359	40,192	673,551
Total	$ 11,050,746	$ 3,066,463	$ 14,117,209

During 2015, the Town entered into an acquisition and funding agreement; whereby the Town acquired the Lincoln Park Utility System. As part of the funding for this transaction, EDC issued payment of $1,300,000 and entered into an agreement to pay the remaining $1,200,000 owed.

NOTE 8. LONG-TERM DEBT – CONTINUED

Discretely presented component units – Economic Development Corporation – Continued

On December 15, 2015, the Town Council approved an Interlocal Chapter 380 Economic Development Program and Performance Agreement between the Town of Little Elm and the Little Elm EDC for payments related to the Utility Acquisition Agreement with Mustang Special Utility District (SUD). Mustang SUD agreed to purchase the system and assume the contracts for a cash consideration of $1,000,000 which is to be paid to the Town in ten equal yearly payments of $100,000 with the first installment payment to the Town to occur on July 1, 2016. The Town also covenants and agrees to pay to the Little Elm EDC the ten equal yearly payments. Accordingly a note payable / receivable has been recorded between the Town and Little Elm EDC.

Discretely presented component units – Community Development Corporation

Note Payable to Primary Government / Note Receivable From Component Unit

The Little Elm Community Development Corporation (CDC) entered into agreements with the Town to reimburse the Town for annual debt service costs associated with the Series 2009A and Series 2013 Combination Tax and Revenue Certificates of Obligation. During 2016, the Town passed a resolution forgiving CDC from further responsibility for payment under the agreement. As a result, the obligation as of September 30, 2016 has been removed from CDC's financial statements.

NOTE 9. PENSION PLAN

Plan Description

The Town participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CFAR) that can be obtained at www.tmrs.com.

All eligible employees of the Town are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Town-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

NOTE 9. PENSION PLAN – CONTINUED

Benefits Provided – Continued

At the date the plan began, the Town granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the Town can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and Town matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service. A member is vested after 5 years. The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	94
Active employees	200
	327

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Town matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each Town is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 12.95% and 13.05% in calendar years 2015 and 2016, respectively. The Town’s contributions to TMRS for the year ended September 30, 2016 were $1,721,095, and were equal to the required contributions.

NOTE 9. PENSION PLAN - CONTINUED

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2015 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Table, which male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

NOTE 9. PENSION PLAN - CONTINUED

Net Pension Liability – Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Allocations

The Town's net pension liability, pension expense, and deferred outflows of resources related to TMRS have been allocated between governmental activities and business-type activities using a contribution-based method.

NOTE 9. PENSION PLAN - CONTINUED

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	$ 21,206,361	$ 17,460,663	$ 3,745,698
Changes for the year:			
Service Cost	2,120,510	-	2,120,510
Interest	1,544,900	-	1,544,900
Change of benefit terms	-	-	-
Difference between expected and actual experience	187,346	-	187,346
Changes of assumptions	90,206	-	90,206
Contributions - employer	-	1,535,872	(1,535,872)
Contributions - employee	-	838,620	(838,620)
Net investment income	-	25,774	(25,774)
Benefit payments, including refunds of employee contributions	(393,218)	(393,218)	-
Administrative expense	-	(15,693)	15,693
Other changes	-	(775)	775
Net Changes	3,549,744	1,990,580	1,559,164
Balance at 12/31/2015	$ 24,756,105	$ 19,451,243	$ 5,304,862

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability	$ 9,872,587	$ 5,304,862	$ 1,647,240

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmrs.com.

NOTE 9. PENSION PLAN – CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the Town recognized pension expense of $2,021,362. At September 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 511,146	$ -
Changes in actuarial assumptions	75,978	-
Difference between projected and actual investment earnings	1,071,898	-
Contributions subsequent to the measurement date	1,280,292	-
Total	$ 2,939,314	$ -

The $1,280,292 reported as deferred outflows of resources related to pensions result from contributions subsequent to the measurement date and will reduce the net pension liability during the fiscal year ended September 30, 2017. The other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended Sept. 30:	Net deferred outflows (inflows) of resources
2017	$ 400,352
2018	400,352
2019	400,354
2020	362,112
2021	80,965
Thereafter	14,887
	$ 1,659,022

NOTE 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Town is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of 1,115 individual governmental units located within Texas. The Town pays an annual premium to the funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to $1,000,000 per occurrence with a $2,000,000 annual aggregate. There is a deductible of $5,000 due from the Town per claim for personnel liability claims and a $2,500 deductible for general liability.

NOTE 10. RISK MANAGEMENT – CONTINUED

There were no reductions in insurance coverage and the Town had not been declined coverage for any exposures or limits of liability and/or scheduled covered amounts from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

NOTE 11. NET POSITION / FUND BALANCE

A. Restricted Net Position

Net position is reported in the government-wide statement of net position consisted of the following as of September 30, 2016:

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Units
Restricted for construction	$ 7,081,496	$ -	$ 7,081,496	$ -
Restricted by enabling legislation	933,242	1,104,061	2,037,303	1,592,637
Restricted for streetscape	269,921	-	269,921	-
Restricted for debt service	260,667	-	260,667	142,707
Restricted for other:				
Grant requirements	169,326	-	169,326	-
Donor stipulations	25,309	-	25,309	-
Forfeitures	27,803	-	27,803	-
Total restricted for other	222,438	-	222,438	-
	$ 8,767,764	$ 1,104,061	$ 9,871,825	$ 1,735,344

B. Fund Balance

The composition of the governmental fund balances at September 30, 2016 is as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Valencia Capital Project	Non major Governmental Funds	Total Governmental Funds
Non-spendable:						
Inventory	$ 45,440	$ -	123,522	$ -	$ -	$ 168,962
Prepaids	253,985	-	-	-	-	253,985
Total non-spendable	299,425	-	123,522	-	-	422,947
Restricted for:						
Debt service	-	453,183	-	-	-	453,183
Street maintenance	-	-	-	-	188,290	188,290
Police	-	-	-	-	15,564	15,564
Fire	-	-	-	-	12,258	12,258
Parks and Rec	-	-	-	-	10,014	10,014
Stormwater drainage	-	-	-	-	475,502	475,502
Court	-	-	-	-	140,467	140,467
Red Light camera	-	-	-	-	84,217	84,217
Library	-	-	-	-	15,145	15,145
Animal Control	-	-	-	-	1,187	1,187
Forfeiture	-	-	-	-	27,803	27,803
Public, Education, Govt. Access	-	-	-	-	143,932	143,932
Streetscape	-	-	269,921	-	-	269,921
Economic Development	-	-	-	-	15,195	15,195
Child Safety	-	-	-	-	-	-
Capital projects	-	-	12,613,132	2,740,919	-	15,354,051
Total restricted	-	453,183	12,883,053	2,740,919	1,129,574	17,206,729
Committed to:						
Street development	-	-	1,153,748	-	-	1,153,748
Total committed	-	-	1,153,748	-	-	1,153,748
Unassigned	11,028,718	-	-	-	-	11,028,718
	$ 11,328,143	$ 453,183	$ 14,160,323	$ 2,740,919	$ 1,129,574	$ 29,812,142

NOTE 12. COMMITMENTS AND CONTINGENCIES

In March 2003, the Town entered into a thirty-year contract with the North Texas Municipal Water District (NTMWD) for the purchase of treated water. Under the terms of this contract, the Town is obligated to make a minimum annual payment (adjusted annually) in return for a minimum volume of gallons of water per year. During the year ended September 30, 2016, the cost of water purchased under this contract was $2,890,719.

The Town also entered into a water transmission facilities contract in March 2003 with the NTMWD. Under the terms of this contract, the NTMWD is to own, operate and maintain water transmission facilities located near the eastern border of the Town. NTMWD issued its Water Transmission Facilities Contract Revenue Bonds, Series 2003 (Town of Little Elm Project), in the amount of $5,390,000 for the purpose of acquiring and constructing the transmission facility. The obligation of the Town was to make payments to NTMWD under contract terms until all of the bonds are paid and retired and is no longer outstanding. During the year ended September 30, 2013, the NTMWD issued its Water Transmission Facilities Contract Revenue Refunding Bonds, Series 2013 (Town of Little Elm) in the amount of $3,555,000 for the purpose of defeasing the Series 2003 obligations. During the year ended September 30, 2016, the payments made under this contract were $378,714.

At September 30, 2016 and subsequent to year end, the Town is committed to numerous contracts for capital improvements totaling approximately $4,102,792.

NOTE 13. PUBLIC UTILITY DISTRICT NO. 4

On December 17, 2013, the Little Elm Town Council approved Ordinance No. 1185 authorizing the creation of a Public Improvement District. The Valencia Little Elm Tax Increment Reinvestment Zone consists of approximately 447.942 acres within the extraterritorial jurisdictions of the Town. This district was created in accordance with Chapter 311 of the Texas Tax Code.

On January 7, 2014 the Little Elm Town Council approved the issuance and sale of two Special Assessment Revenue Bonds in the amounts of $12,240,000 and $4,000,000 known as Valencia Public Improvement District covering Major Improvement Project Phases 1-5. These bonds were authorized in order to finance the projects benefiting the entire Valencia Public Improvement District including certain roadway, water, wastewater and drainage improvements.

The Major Improvement Projects includes Road Improvements, Water Distribution System Improvements, Sanitary Sewer Improvements, and Storm Drainage Improvements.

NOTE 14. SUBSEQUENT EVENTS

On January 15, 2017, the Town issued $11,380,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2017. Proceeds from the sale of the certificates will be used for the purpose of paying the Town's contractual obligations to be incurred for improvements and extensions to the Town's System including the acquisition of land and rights-of-way therefor.

On January 15, 2017, the Town also issued $13,645,000 General Obligation Refunding Bonds, Series 2017. Proceeds from the sale of the bonds will be used for the purpose of refunding a portion of the Town's outstanding debt in order to achieve debt service savings.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LITTLE ELM, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual	Variance with Budget
Revenues:				
Taxes:				
Property taxes, penalty, and interest	$ 11,472,867	$ 11,472,867	$ 11,694,831	$ 221,964
General sales and use taxes	2,900,660	2,900,660	3,139,906	239,246
Other taxes and franchise fees	2,132,190	2,132,190	2,000,715	(131,475)
Licenses and permits	2,840,020	3,079,014	4,827,059	1,748,045
Intergovernmental revenue	303,000	353,000	408,265	55,265
Charges for services	2,001,090	2,269,944	2,583,980	314,036
Fines	498,770	508,770	594,256	85,486
Interest	61,670	61,670	81,041	19,371
Miscellaneous	260,290	549,316	508,757	(40,559)
Total revenues	22,470,557	23,327,431	25,838,810	2,511,379
Expenditures:				
General government:				
Town council	28,189	78,189	49,990	28,199
Town manager	1,636,859	798,848	749,366	49,482
Town secretary	150,339	157,150	151,370	5,780
Municipal court	346,313	370,287	330,250	40,037
Finance	1,202,818	1,814,164	1,267,639	546,525
Information technology	892,797	954,685	877,259	77,426
Town attorney	900,000	654,553	470,209	184,344
Total general government	5,157,315	4,827,876	3,896,083	931,793
Community services:				
Inspections	2,629,983	2,809,548	2,638,775	170,773
Total community services	2,629,983	2,809,548	2,638,775	170,773
Public safety:				
Police	4,703,864	5,194,089	5,051,030	143,059
Fire	5,252,946	5,610,262	5,565,389	44,873
Animal control	123,504	158,280	146,889	11,391
Total public safety	10,080,314	10,962,631	10,763,308	199,323
Public works:				
Streets	1,207,951	1,246,782	1,183,294	63,488
Fleet maintenance	562,166	576,943	558,420	18,523
Facility maintenance	739,639	694,039	615,128	78,911
Total public works	2,509,756	2,517,764	2,356,842	160,922

TOWN OF LITTLE ELM, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES (CONCLUDED)
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual	Variance with Budget
Culture and recreation:				
Library	489,565	504,449	443,693	60,756
Parks and recreation	2,846,846	2,945,391	2,717,683	227,708
Total culture and recreation	3,336,411	3,449,840	3,161,376	288,464
Capital outlay	402,784	779,190	605,829	173,361
Total expenditures	24,116,563	25,346,849	23,422,213	1,924,636
Excess (deficiency) of revenues over (under) expenditures	(1,646,006)	(2,019,418)	2,416,597	4,436,015
Other financing sources (uses):				
Transfers in	1,902,160	1,902,160	1,898,332	(3,828)
Proceeds from sale of assets	10,000	22,825	252,717	229,892
Transfers out	(35,000)	(205,464)	(205,464)	-
Total other financing sources (uses)	1,877,160	1,719,521	1,945,585	226,064
Revenues and other financing sources over (under) expenditures and other financing uses	231,154	(299,897)	4,362,182	4,662,079
Fund balance at beginning of year	6,965,961	6,965,961	6,965,961	-
Fund balance, end of year	$ 7,197,115	$ 6,666,064	$ 11,328,143	$ 4,662,079

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund, debt service fund, and water and sewer fund. All annual appropriations lapse at fiscal year-end.

The Town follows these procedures in establishing the budgetary data reflected in the basic financial statements:

(1) Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures and the means of financing them.

(2) Public hearings are conducted to obtain taxpayer comments.

(3) Prior to October 1, the budget is legally enacted through the passage of an ordinance.

(4) The Town Manager is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the Town Council.

TOWN OF LITTLE ELM, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TWO MEASUREMENT PERIODS

	2015	2014
Total Pension Liability:		
Service cost	$ 2,120,510	$ 1,781,572
Interest	1,544,900	1,306,279
Change in benefit terms	-	-
Difference between expected and actual experience	187,346	511,427
Change in assumptions	90,206	-
Benefit payments	(393,218)	(326,527)
Net change in total pension liability	3,549,744	3,272,751
Total Pension Liability-beginning	21,206,361	17,933,610
Total Pension Liability-ending	24,756,105	21,206,361
Plan Fiduciary Net Position		
Contributions - employer	1,535,872	1,185,583
Contributions - nonemployer	838,620	774,891
Net investment income	25,774	857,339
Benefit payments	(393,218)	(326,527)
Administrative income	(15,693)	(8,946)
Other	(775)	(759)
Net change in plan fiduciary net position	1,990,580	2,481,581
Plan fiduciary net position -beginning	17,460,663	14,979,082
Plan fiduciary net position - ending	19,451,243	17,460,663
Town's net pension liability -ending	$ 5,304,862	$ 3,745,698
Plan fiduciary net position as a % of total pension liability	78.57%	82.34%
Covered payroll	$ 11,980,280	$ 11,065,942
Town's net pension liability as a % of employee payroll	44.28%	33.85%

Note: Only two years of data is presented in accordance with GASB #68, paragraph 138. “The information for all period for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement. Additional years’ information will be displayed as it becomes available.”

TOWN OF LITTLE ELM, TEXAS
SCHEDULE OF CONTRIBUTIONS –
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TWO FISCAL YEARS

	Fiscal Year 2016	Fiscal Year 2015
Actuarially determined contribution	$ 1,721,095	$ 1,450,482
Contribution in relation of the actuarially determined contribution	1,721,095	1,450,482
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 13,214,555	$ 12,244,425
Contributions as a percentage of covered employee payroll	13.02%	11.85%

Note: GASB #68, paragraph 81.2.b requires that the data in this schedule be presented as of the Town's fiscal year as opposed to the time period covered by the measurement date.

Note: Only two years of data is presented in accordance with GASB #68, paragraph 138. "The information for all period for the 10-year schedules that are required to be presented as required supplementary information may be available initially. In these cases, during the transition period, that information should be presented for as many periods as are available. The schedules should not include information that is not measured in accordance with the requirements of this statement. Additional years' information will be displayed as it becomes available."

TOWN OF LITTLE ELM, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2016

VALUATION DATE:

Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and one day later.

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Other information	There were no benefit changes during the year.

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

TOWN OF LITTLE ELM, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
GENERAL OBLIGATION DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual Amount	Variance from Final Budget
Revenues:				
Property taxes	$ 4,422,135	$ 4,422,135	$ 4,501,046	$ 78,911
Intergovernmental	80,000	80,000	69,916	(10,084)
Interest	14,000	14,000	18,805	4,805
Total revenues	4,516,135	4,516,135	4,589,767	73,632
Expenditures:				
Debt service:				
Principal retirement	2,970,253	2,825,254	2,825,254	-
Interest and fiscal charges	1,573,573	1,660,547	1,629,989	30,558
Other debt service costs	-	597,105	597,105	-
Total expenditures	4,543,826	5,082,906	5,052,348	30,558
Deficiency of revenues under expenditures	(27,691)	(566,771)	(462,581)	104,190
Other financing sources (uses):				
Refunding bonds issued	-	7,660,700	6,725,000	(935,700)
Transfers out	-	(218,725)	(218,725)	-
Premium on bonds	-	-	552,614	552,614
Payment to refunded bond escrow agent	-	(7,500,000)	(7,148,501)	351,499
Total other financing sources (uses)	-	(58,025)	(89,612)	(31,587)
Net change in fund balance	(27,691)	(624,796)	(552,193)	72,603
Fund balances, beginning	1,005,376	1,005,376	1,005,376	-
Fund balances, ending	$ 977,685	$ 380,580	$ 453,183	$ 72,603

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

GRANTS FUND
Accounts for donations made by civic organizations, businesses, and citizens for specific uses which include the library, animal control center, police, and fire departments. Donations are generally donated for the purchase of equipment.

DONATIONS FUND
Accounts for grants distributed to the Town by the Texas State Comptroller of Public Accounts, the Department of Homeland Security, and other organizations such as the Texas Library Archives, and the Law Enforcement Officer Safety Education Program.

FORFEITURES FUND
Accounts for fines and forfeiture of property resulting from criminal cases within the boundaries of the Town that have been adjudicated by the State of Texas in District Court.

STREET MAINTENANCE FUND
Accounts for the Town's 1/4 cent sales tax, which was approved by the citizens of Little Elm in May of 2009 and is restricted for the purpose of street maintenance.

RED LIGHT CAMERA FUND
Accounts for proceeds and expenses related to red-light cameras.

STORMWATER DRAINAGE FUND
Accounts for fees charged for storm water drainage services.

PEG FUND
Accounts for fees used to defer the cost of streaming Council meeting videos of all meetings to meet the objective of local government transparency.

SAFER GRANT FUND
Accounts for proceeds and expenditures relating to the SAFER grant.

TIRZ #4 FUND
Accounts for proceeds and expenditures relating to Little Elm Tax Increment Reinvestment Zone Number 4.

TIRZ #5 FUND
Accounts for proceeds and expenditures relating to Little Elm Tax Increment Reinvestment Zone Number 5.

Highway 380 MMD FUND
Accounts for the Town’s contributions to the Highway 380 Municipal Management District (MMD).

TOWN OF LITTLE ELM, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Grants	Donations	Forfeitures	Street Maintenance	Red Light Camera
ASSETS					
Cash and cash equivalents	$ 139,872	$ 25,419	$ 27,803	$ 60,361	$ 145,583
Receivables (net of allowance for uncollectibles)					
Taxes	-	-	-	160,920	-
Due from other governments	-	-	-	-	-
Other	31,545	-	-	-	40,056
Total assets	$ 171,417	$ 25,419	$ 27,803	$ 221,281	$ 185,639
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	$ 2,091	$ 110	$ -	$ 32,991	$ 75,316
Due to other funds	-	-	-	-	-
Total liabilities	2,091	110	-	32,991	75,316
Deferred inflows of resources:					
Unavailable resources	-	-	-	-	26,106
Total deferred inflows of resources	-	-	-	-	26,106
Fund balances					
Spendable					
Restricted	169,326	25,309	27,803	188,290	84,217
Total fund balances	169,326	25,309	27,803	188,290	84,217
Total liabilities, deferred inflows of resources and fund balances	$ 171,417	$ 25,419	$ 27,803	$ 221,281	$ 185,639

Stormwater Drainage	PEG Fund	SAFER Grant	Little Elm TIRZ#4	Little Elm TIRZ#5	HWY 380 MMD	Total Nonmajor Governmental Funds
$ 383,600	$ 128,512	$ -	$ 11,167	$ 3,610	$ 418	$ 926,345
-	-	-	-	-	-	160,920
111,308	-	105,929	-	-	-	217,237
112,319	14,866	-	-	-	-	198,786
$ 607,227	$ 143,378	$ 105,929	$ 11,167	$ 3,610	$ 418	$ 1,503,288
$ 131,725	$ (554)	$ 5,204	$ -	$ -	$ -	$ 246,883
-	-	100,725	-	-	-	100,725
131,725	(554)	105,929	-	-	-	347,608
-	-	-	-	-	-	26,106
-	-	-	-	-	-	26,106
475,502	143,932	-	11,167	3,610	418	1,129,574
475,502	143,932	-	11,167	3,610	418	1,129,574
$ 607,227	$ 143,378	$ 105,929	$ 11,167	$ 3,610	$ 418	$ 1,503,288

TOWN OF LITTLE ELM, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Grants	Donations	Forfeitures	Street Maintenance	Red Light Camera
Revenues:					
Taxes					
Property taxes, penalty, and interest	$ -	$ -	$ -	$ -	$ -
General sales and use taxes	-	-	-	870,312	-
Franchise taxes and other	-	-	-	-	-
Charges for service	-	-	-	-	-
Intergovernmental	4,274	5,799	-	-	-
Fines	62,260	-	-	-	200,381
Interest	716	181	244	2,019	927
Contributions	5,250	-	-	-	-
Other revenues	-	179	30,356	-	-
Total revenues	72,500	6,159	30,600	872,331	201,308
Expenditures:					
Current:					
General government	-	-	18,989	-	-
Public safety	22,276	400	-	-	227,124
Public works	-	-	-	845,167	-
Culture and recreation	12,277	3,568	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	34,553	3,968	18,989	845,167	227,124
Excess (deficiency) of revenues over (under) expenditures	37,947	2,191	11,611	27,164	(25,816)
Other financing uses:					
Transfers in	-	-	-	-	-
Transfers out	(6,172)	-	-	(170,700)	-
Total other financing uses	(6,172)	-	-	(170,700)	-
Net changes in fund balance	31,775	2,191	11,611	(143,536)	(25,816)
Fund balance at beginning of year	137,551	23,118	16,192	331,826	110,033
Fund balance, end of year	$ 169,326	$ 25,309	$ 27,803	$ 188,290	$ 84,217

Stormwater Drainage	PEG Fund	SAFER Grant	Little Elm TIRZ#4	Little Elm TIRZ#5	HWY 380 MMD	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ 11,167	$ 3,603	$ -	$ 14,770
-	-	-	-	-	-	870,312
-	64,677	-	-	-	-	64,677
514,956	-	-	-	-	-	514,956
186,308	-	412,685	-	-	-	609,066
-	-	-	-	-	-	262,641
3,056	797	-	-	7	418	8,365
-	-	-	-	-	-	5,250
-	-	-	-	-	-	30,535
704,320	65,474	412,685	11,167	3,610	418	2,380,572
-	-	-	-	-	-	18,989
-	-	412,685	-	-	-	662,485
939,306	-	-	-	-	-	1,784,473
-	-	-	-	-	-	15,845
-	18,622	-	-	-	-	18,622
939,306	18,622	412,685	-	-	-	2,500,414
(234,986)	46,852	-	11,167	3,610	418	(119,842)
100,000	-	-	-	-	-	100,000
-	-	-	-	-	-	(176,872)
100,000	-	-	-	-	-	(76,872)
(134,986)	46,852	-	11,167	3,610	418	(196,714)
610,488	97,080	-	-	-	-	1,326,288
$ 475,502	$ 143,932	$ -	$ 11,167	$ 3,610	$ 418	$ 1,129,574

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DISCRETELY PRESENTED COMPONENT UNITS

ECONOMIC DEVELOPMENT CORPORATION – purpose is to promote and develop new and expanded business enterprises to promote and encourage employment in the furtherance of public welfare within the Town.

COMMUNITY DEVELOPMENT CORPORATION – purpose is to improve and expand park and recreational facilities from revenue generated through the Type 4B sales tax.

TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2016

ASSETS		
Cash and cash equivalents	$	752,216
Receivables:		
Sales taxes		321,840
Note receivable from primary government		900,000
Total assets	$	1,974,056
LIABILITIES		
Accounts payable and other current liabilities	$	184,363
Total liabilities		184,363
DEFERRED INFLOWS OF RESOURCES		
Unavailable resources -note receivable		900,000
Total deferred inflows of resources		900,000
FUND BALANCES		
Restricted		889,693
Total fund balances		889,693
Total liabilities, deferred inflows of resources and fund balances	$	1,974,056

TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2016

Total fund balance - governmental funds	$	889,693
Amounts reported in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds financial statements.	$	10,309,703
Long-term receivables from the primary government are not considered current financial resources and, therefore, the recognition of revenue on such receivables is deferred in the governmental funds financial statements.		900,000
Notes payable are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.		(11,050,746)
Accrued interest on governmental activities debt is not reported in the governmental funds financial statements until paid.		(54,349)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds financial statements.		(31,738)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	962,563

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Revenues:		
Taxes		
General sales and use taxes	$	1,604,539
Intergovernmental		280,448
Interest		12,403
Other revenues		48,506
Total revenues		1,945,896
Expenditures:		
Current:		
General government		99,916
Economic and physical development		2,185,661
Principal		1,040,427
Interest and other fiscal charges		434,028
Total expenditures		3,760,032
Deficiency of revenues under expenditures		(1,814,136)
Fund balance, beginning of year		2,703,829
Fund balance, end of year	$	889,693

TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - governmental funds	$ (1,814,136)
Amounts reported for component unit funds in the statement of activities are different because:	
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,203
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets are capitalized.	1,268,157
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,040,427
Long-term receivables from the primary government are not considered current financial resources and, therefore, the recognition of revenue on such receivables is deferred in the governmental funds financial statements.	900,000
Some expenses reported in the statement of activities such as compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(20,146)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 1,375,505

TOWN OF LITTLE ELM, TEXAS
BALANCE SHEET
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2016

ASSETS		
Cash and cash equivalents	$	205,380
Receivables		160,920
Total assets	$	366,300
LIABILITIES		
Accounts payable and other current liabilities	$	246
Total liabilities		246
FUND BALANCE		
Unrestricted		366,054
Total fund balance		366,054
Total liabilities and fund balance	$	366,300

TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2016

Total fund balance - governmental funds	$	366,054
No differences between balance sheet and statement of net position.		-
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	366,054

TOWN OF LITTLE ELM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Revenues:		
Taxes		
General sales and use taxes	$	853,037
Intergovernmental revenue		597,105
Interest		2,887
Total revenues		1,453,029
Expenditures:		
Current:		
General government		54,500
Economic and physical development		674,635
Total expenditures		729,135
Net change in fund balance		723,894
Fund balance (deficit), beginning of year		(357,840)
Fund balance, end of year	$	366,054

TOWN OF LITTLE ELM, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - governmental funds	$	723,894
Amounts reported for component unit funds in the statement of activities are different because:		
Forgiveness of a long-term liability is reported as revenue in the government-wide financial statements.		7,580,000
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	8,303,894

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STATISTICAL SECTION

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TOWN OF LITTLE ELM, TEXAS
STATISTICAL SECTION
TABLE OF CONTENTS

STATISTICAL SECTION

This part of the Town of Little Elm's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the Town's overall financial health. This information has not been audited by the independent auditor.

Contents **Table #s**

Financial Trends **A-1 to A-4**
These tables contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity **B-1 to B-5**
These tables contain information to help the reader assess the Town's two most significant local revenue sources, the property and sales taxes.

Debt Capacity **C-1 to C-5**
These tables present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Economic and Demographic Information **D-1 to D-2**
These tables offer economic and demographic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information **E-1 to E-3**
These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides.

Source: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in fiscal year 2004: tables presenting government-wide information include information beginning in that year.

TOWN OF LITTLE ELM, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS (UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2007	2008 [a]	2009	2010
Governmental activities				
Net investment in capital assets	$ 19,470,253	$ 34,946,833	$ 42,980,036	$ 47,903,977
Restricted	2,714,442	2,020,133	456,110	2,111,443
Unrestricted	5,599,224	7,104,984	5,297,621	2,902,375
Total governmental activities net assets [a]	$ 27,783,919	$ 44,071,950	$ 48,733,767	$ 52,917,795
Business-type activities				
Net investment in capital assets	$ 10,616,127	$ 11,108,371	$ 12,953,757	$ 17,697,671
Restricted	4,026,887	3,739,824	6,226,635	3,020,299
Unrestricted	5,120,843	5,409,835	2,624,238	3,233,394
Total business-type activities net assets	$ 19,763,857	$ 20,258,030	$ 21,804,630	$ 23,951,364
Primary government				
Net investment in capital assets	$ 30,086,380	$ 46,055,204	$ 55,933,793	$ 65,601,648
Restricted	6,741,329	5,759,957	6,682,745	5,273,739
Unrestricted	10,720,067	12,514,819	7,921,859	5,993,772
Total primary governmental net assets	$ 47,547,776	$ 64,329,980	$ 70,538,397	$ 76,869,159

Source: Comprehensive Annual Financial Report

Notes: [a] Fiscal year 2008 net assets were restated for prior period adjustments and reclassification of funds.

TABLE A-1

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 50,204,248	$ 52,815,876	$ 63,117,552	$ 69,289,961	$ 77,934,036	$ 89,811,757
2,752,458	4,171,809	1,456,437	11,901,273	13,440,890	8,767,764
5,760,237	8,639,473	13,561,477	13,397,901	5,819,571	9,114,885
$ 58,716,943	$ 65,627,158	$ 78,135,466	$ 94,589,135	$ 97,194,497	$ 107,694,406
$ 18,965,595	$ 23,568,624	$ 27,797,915	$ 33,308,054	$ 38,387,629	$ 37,228,657
3,420,742	2,678,605	1,545,571	1,286,723	150,598	1,104,061
4,738,358	3,395,564	2,792,130	1,253,792	4,209,613	6,738,911
$ 27,124,695	$ 29,642,793	$ 32,135,616	$ 35,848,569	$ 42,747,840	$ 45,071,629
$ 69,169,843	$ 76,384,500	$ 90,915,467	$ 102,598,015	$ 116,321,665	$ 127,040,414
6,173,200	6,850,414	3,002,008	13,187,996	13,591,488	9,871,825
10,498,595	12,035,037	16,353,607	14,651,693	10,029,184	15,853,796
$ 85,841,638	$ 95,269,951	$ 110,271,082	$ 130,437,704	$ 139,942,337	$ 152,766,035

TOWN OF LITTLE ELM, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2007 [b]	2008	2009	2010
Expenses				
Governmental activities:				
General government	$ 1,165,132	$ 1,880,759	$ 2,286,941	$ 2,540,722
Public safety	4,735,242	5,756,355	6,431,906	1,530,292
Public works	3,334,704	4,155,141	3,990,855	8,839,262
Culture and recreation	1,033,235	1,091,693	1,358,796	2,853,899
Community services	1,231,869	937,464	1,086,952	1,346,593
Interest on long-term debt	217,332	908,921	1,058,944	1,385,300
Total governmental activities expenses	$ 11,717,514	$ 14,730,333	$ 16,214,394	$ 18,496,068
Business-type activities:				
Water and sewer	$ 4,641,202	$ 6,474,575	$ 6,817,172	$ 6,763,043
Solid waste	-	-	1,827,534	1,641,111
Total business-type activities expenses	4,641,202	6,474,575	8,644,706	8,404,154
Total primary government expenses	$ 16,358,716	$ 21,204,908	$ 24,859,100	$ 26,900,222
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	$ 472,491	$ 2,268,637	$ 413,046	$ 139,313
Public safety	883,435	898,538	576,564	854,090
Public works	129,384	1,264,387	-	29,398
Culture and recreation	47,779	-	43,395	55,853
Community services	288,518	-	1,028,110	1,386,646
Operating grants and contributions	149,774	304,349	182,174	308,121
Capital grants and contributions	2,478,539	8,360	4,398,954	4,705,395
Total governmental activities program revenues	$ 4,449,920	$ 4,744,271	$ 6,642,243	$ 7,478,816
Business-type activities:				
Charges for services:				
Water and sewer	$ 4,385,488	$ 6,694,244	$ 8,565,303	$ 8,755,653
Solid waste	-	-	1,845,096	1,965,611
Operating grants and contributions	-	-	-	-
Capital grants and contributions	1,900,735	-	-	-
Total business-type activities program revenues	$ 6,286,223	$ 6,694,244	$ 10,410,399	$ 10,721,264
Total primary government program revenues	$ 10,736,143	$ 11,438,515	$ 17,052,642	$ 18,200,080

Source: Comprehensive Annual Financial Report

Notes: [b] General Revenue classifications modified.

TABLE A-2 (CONTINUED)

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 2,464,445	$ 2,576,483	$ 5,867,144	$ 5,289,827	$ 6,085,289	$ 12,830,283
7,190,910	8,002,813	9,335,742	10,433,709	12,583,312	17,166,375
4,435,870	5,344,115	6,021,562	6,499,936	6,956,858	4,894,523
1,483,761	1,674,950	2,667,072	3,104,651	2,424,055	2,838,232
1,364,740	1,238,188	1,638,809	1,918,695	2,408,167	2,412,674
1,715,179	1,655,901	1,473,694	3,388,234	1,707,491	1,552,317
$ 18,654,905	$ 20,492,450	$ 27,004,023	$ 30,635,052	$ 32,165,172	$ 41,694,404
$ 6,950,429	$ 8,576,299	$ 8,938,110	$ 9,018,321	$ 9,597,743	$ 12,813,910
1,465,030	1,542,812	1,828,285	1,983,776	1,732,336	1,797,240
8,415,459	10,119,111	10,766,395	11,002,097	11,330,079	14,611,150
$ 27,070,364	$ 30,611,561	$ 37,770,418	$ 41,637,149	$ 43,495,251	$ 56,305,554
$ 168,475	$ 203,194	$ 225,645	$ 142,850	$ 191,432	$ 239,193
1,049,754	1,316,490	1,421,556	1,408,432	1,682,570	2,096,745
37,297	36,968	18,219	52,660	163,616	999,412
115,981	229,245	367,880	548,339	799,635	845,848
1,620,331	3,067,120	3,219,516	4,826,558	5,265,753	5,448,892
220,617	296,234	8,481,366	877,283	2,330,627	1,888,507
4,767,318	5,072,076	8,196,369	20,153,631	4,480,887	15,400,107
$ 7,979,773	$ 10,221,327	$ 21,930,551	$ 28,009,753	$ 14,914,520	$ 26,918,704
$ 9,743,392	$ 10,088,464	$ 10,843,125	$ 11,206,850	$ 13,023,491	$ 14,156,856
1,645,533	1,758,790	1,919,103	2,038,990	2,157,342	2,247,375
-	-	22,395	-	23,964	-
473,422	2,382,570	1,828,359	3,595,837	3,593,256	2,387,592
$ 11,862,347	$ 14,229,824	$ 14,612,982	$ 16,841,677	$ 18,798,053	$ 18,791,823
$ 19,842,120	$ 24,451,151	$ 36,543,533	$ 44,851,430	$ 33,712,573	$ 45,710,527

TOWN OF LITTLE ELM, TEXAS
CHANGES IN NET POSITION – CONTINUED
LAST TEN FISCAL YEARS (UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2007 [b]	2008	2009	2010
Net (Expenses) Revenue				
Governmental activities	$ (7,267,594)	$ (9,986,062)	$ (9,572,151)	$ (11,017,252)
Business-type activities	1,645,021	219,669	1,765,693	2,317,110
Total primary government net expenses	$ (5,622,573)	$ (9,766,393)	$ (7,806,458)	$ (8,700,142)
General Revenues and other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	$ 5,790,305	$ 7,563,027	$ 8,828,874	$ 9,668,429
Sales & Other taxes	3,310,322	3,199,197	2,904,368	3,221,191
Unrestricted investment earnings	367,476	539,838	334,206	388,935
Gains on sale of assets	(7,805)	-	-	31,158
Miscellaneous	94,695	1,614,934	1,148,956	561,919
Transfers	367,145	897,379	1,017,564	1,329,648
Total governmental activities	$ 9,922,138	$ 13,814,375	$ 14,233,968	$ 15,201,280
Business-type activities:				
Taxes	$ -	$ -	$ -	$ -
Unrestricted investment earnings	204,514	288,977	455,159	333,428
Gains on sale of assets	9,694	-	-	-
Miscellaneous	-	596,409	307,312	566,639
Transfers	(367,145)	(867,379)	(981,564)	(1,070,443)
Total business-type activities	$ (152,937)	$ 18,007	$ (219,093)	$ (170,376)
Total primary government	$ 9,769,201	$ 13,832,382	$ 14,014,875	$ 15,030,904
Change in Net Position				
Governmental activities	$ 2,654,544	$ 3,828,313	$ 4,661,817	$ 4,184,028
Business-type activities	1,492,084	237,676	1,546,600	2,146,734
Total primary government	$ 4,146,628	$ 4,065,989	$ 6,208,417	$ 6,330,762

Source: Comprehensive Annual Financial Report

Notes: [a] General Revenue classifications modified.

TABLE A-2 (CONCLUDED)

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ (10,675,132)	$ (10,271,123)	$ (5,073,472)	$ (2,625,299)	$ (17,250,652)	$ (14,775,700)
3,446,888	4,110,713	3,846,587	5,839,580	7,467,974	4,180,673
$ (7,228,244)	$ (6,160,410)	$ (1,226,885)	$ 3,214,281	$ (9,782,678)	$ (10,595,027)
$ 10,195,279	$ 10,662,787	$ 10,864,585	$ 11,851,416	$ 14,089,672	$ 16,001,132
3,438,665	4,039,591	4,506,310	4,843,855	5,641,075	6,075,610
271,988	199,751	136,752	156,577	155,456	222,137
-	-	9,330	18,171	23,500	252,717
1,329,395	464,013	513,343	1,158,653	1,322,492	681,078
1,238,953	1,815,196	1,551,460	1,697,504	474,640	2,042,935
$ 16,474,280	$ 17,181,338	$ 17,581,780	$ 19,726,176	$ 21,706,835	$ 25,275,609
$ 56,342	$ 82,977	$ 92,009	$ 106,872	$ 119,560	$ 110,588
150,655	139,604	96,344	44,010	29,969	75,463
-	-	9,343	7,214	-	-
758,399	-	-	-	-	-
(1,238,953)	(1,815,196)	(1,551,460)	(1,697,504)	(474,640)	(2,042,935)
$ (273,557)	$ (1,592,615)	$ (1,353,764)	$ (1,539,408)	$ (325,111)	$ (1,856,884)
$ 16,200,723	$ 15,588,723	$ 16,228,016	$ 18,186,768	$ 21,381,724	$ 23,418,725
$ 5,799,148	$ 6,910,215	$ 12,508,308	$ 17,100,877	$ 4,456,183	$ 10,499,909
3,173,331	2,518,098	2,492,823	4,300,172	7,142,863	2,323,789
$ 8,972,479	$ 9,428,313	$ 15,001,131	$ 21,401,049	$ 11,599,046	$ 12,823,698

TOWN OF LITTLE ELM, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved [a]	$ 2,793,187	$ 2,020,133	$ 26,117	$ 35,410
Nonspendable [a]	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unreserved, designated for	-	-	-	-
Unbudgeted expenditures	-	-	1,153,325	1,662,286
Unreserved, undesignated	3,356,355	5,398,287	3,086,147	3,309,224
Total general fund	$ 6,149,542	$ 7,418,420	$ 4,265,589	$ 5,006,920
All Other Governmental Funds				
Reserved for:				
Debt service	$ 76,933	$ -	$ -	$ -
Nonspendable [a]	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unreserved, reported in:	-	-	-	-
Special revenue funds	1,447,159	227,961	759,750	544,399
Debt service	-	218,843	226,226	301,863
Capital projects funds	7,855,095	5,614,493	19,196,982	25,980,408
Total all other governmental funds	$ 9,379,187	$ 6,061,297	$ 20,182,958	$ 26,826,670

Source: Comprehensive Annual Financial Report

Notes: [a] Includes inventory and prepaid

[b] The Town implemented GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which impacted both the classifications of funds and classifications of and balances within funds.

TABLE A-3

Fiscal Year						
2011 [b]	2012	2013	2014	2015	2016	
$ -	$ -	$ -	$ -	$ -	$ -	
48,944	56,704	274,054	200,487	265,038	299,425	
-	221,155	-	-	-	-	
3,326,289	-	-	-	-	-	
1,519,500	693,600	925,000	4,938,437	-	-	
943,210	6,130,718	5,751,731	3,312,912	6,700,923	11,028,718	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
$ 5,837,943	$ 7,102,177	$ 6,950,785	$ 8,451,836	$ 6,965,961	$ 11,328,143	
$ -	$ -	$ -	$ -	$ -	$ -	
	150	150	6,302	-	123,522	
14,255,397	4,346,848	8,113,910	17,979,664	10,883,984	17,206,729	
702,364	1,273,852	620,602	241,487	1,644,874	1,153,748	
-	-	-	-	-	-	
(42,361)	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
$ 14,915,400	$ 5,620,850	$ 8,734,662	$ 18,227,453	$ 12,528,858	$ 18,483,999	

TOWN OF LITTLE ELM, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2007	2008	2009	2010
REVENUES				
Property taxes, penalties and interest	$ 5,644,249	$ 7,678,109	$ 8,717,659	$ 9,613,969
Sales tax	1,751,857	1,814,759	1,787,109	1,959,630
Franchise and other taxes	971,299	1,395,846	1,117,259	1,261,561
Licenses and permits	1,542,637	1,264,387	966,645	1,419,336
Charges for services	1,905,967	2,268,637	535,005	598,873
Impact fees	-	-	-	-
Fines and forfeitures	622,940	898,538	288,748	526,084
Intergovernmental revenue and grants	323,297	312,709	4,702,445	4,887,144
Contributions	-	-	-	-
Interest earnings	951,392	539,838	361,633	388,935
Other revenue	300,864	266,466	1,108,938	812,000
Total revenues	14,014,502	16,439,289	19,585,441	21,467,532
EXPENDITURES				
General government	2,067,815	2,410,803	2,160,346	2,321,233
Public safety	4,827,076	5,527,997	6,041,672	6,455,094
Public works	2,763,980	3,530,078	1,447,644	2,123,823
Culture and recreation	891,579	951,798	1,230,166	1,322,676
Community services	176,853	-	1,062,917	1,278,090
Capital outlay	6,424,139	5,686,126	6,593,015	8,041,519
Debt service				
Principal retirement	863,504	1,132,700	1,185,222	1,489,211
Interest and fiscal charges	943,950	921,717	874,526	1,514,543
Other debt service costs	-	-	-	-
Total expenditures	18,958,896	20,161,219	20,595,508	24,546,189
Excess (deficiency) of revenues over (under) expenditures	(4,944,394)	(3,721,930)	(1,010,067)	(3,078,657)
OTHER FINANCING SOURCES (USES)				
Bonds/notes issued	-	-	12,500,000	9,353,007
Proceeds from sale of capital assets	-	-	-	-
Proceeds from capital lease obligations	178,905	342,168	-	-
Developer fees and contributions	2,758,921	1,240,467	-	-
Premium on bonds issued	-	30,000	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfer from other funds	931,123	1,837,105	3,127,865	1,535,132
Transfer to other funds	(485,283)	(969,725)	(2,110,301)	(424,439)
Total other financing sources (uses)	3,383,666	2,480,015	13,517,564	10,463,700
NET CHANGE IN FUND BALANCES	$ (1,560,728)	$ (1,241,915)	$ 12,507,497	$ 7,385,043
Debt service as a percentage of noncapital expenditures	14.4%	14.2%	14.7%	18.2%

Source: Comprehensive Annual Financial Report

TABLE A-4

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 10,246,572	$ 10,459,636	$ 10,968,977	$ 11,819,118	$ 13,912,222	$ 16,210,647
2,125,984	2,369,358	2,775,736	2,987,162	3,540,489	4,010,218
1,312,681	1,670,233	1,730,574	1,856,693	2,100,586	2,065,392
1,629,588	2,386,244	2,280,136	3,814,451	4,009,517	5,161,638
662,181	1,227,622	1,521,394	1,884,181	2,765,194	3,098,936
-	1,555,857	1,274,372	514,220	1,722,581	499,168
698,289	628,399	667,479	589,772	886,617	856,897
4,219,559	2,996,983	2,055,690	1,365,490	2,630,400	2,252,406
-	5,500	-	18,756,088	1,254,495	3,900,214
271,988	199,751	136,281	154,060	131,666	209,291
1,153,103	1,312,349	1,134,249	1,310,971	764,579	726,869
22,319,945	24,811,932	24,544,888	45,052,206	33,718,346	38,991,676
2,317,911	2,501,809	5,662,076	3,459,553	5,795,226	4,009,920
6,865,071	7,577,815	8,185,886	9,454,244	10,668,379	11,425,793
2,658,522	1,766,131	2,417,222	2,794,991	3,225,270	4,141,315
1,307,687	1,533,497	2,211,489	2,639,344	2,947,604	3,177,221
1,364,740	1,261,237	1,604,716	1,910,740	2,408,167	2,917,957
16,817,298	17,189,209	8,758,950	12,815,066	14,197,333	10,029,564
1,537,070	1,671,146	1,837,728	2,097,789	2,499,432	2,825,254
1,770,846	1,609,606	1,649,588	3,579,358	1,654,972	1,865,298
-	-	-	-	-	597,105
34,639,145	35,110,450	32,327,655	38,751,085	43,396,383	40,989,427
(12,319,200)	(10,298,518)	(7,782,767)	6,301,121	(9,678,037)	(1,997,751)
-	3,885,000	8,735,000	5,020,000	1,990,000	16,380,000
-	-	509,233	18,171	23,500	252,717
-	386,487	-	144,913	104,957	-
-	-	-	-	-	-
-	180,716	143,094	235,610	-	787,923
-	(3,999,197)	-	(2,190,000)	-	(7,148,501)
4,160,575	3,523,887	3,035,883	2,556,084	4,209,821	2,743,996
(2,921,622)	(1,708,691)	(1,678,023)	(1,092,057)	(3,834,711)	(701,061)
1,238,953	2,268,202	10,745,187	4,692,721	2,493,567	12,315,074
$ (11,080,247)	$ (8,030,316)	$ 2,962,420	$ 10,993,842	$ (7,184,470)	$ 10,317,323
18.6%	18.2%	14.8%	20.7%	13.6%	14.1%

TOWN OF LITTLE ELM, TEXAS **TABLE B-1**
APPRAISED VALUE OF PROPERTY
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Market Valuation: Real Property	Market Valuation: Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2007	$ 1,248,468,966	$ 23,323,625	$ 87,911,083	$ 1,183,881,508	0.47000
2008	1,511,223,287	36,738,700	140,574,678	1,407,387,309	0.53580
2009	1,634,323,354	52,518,511	166,456,684	1,520,385,181	0.56996
2010	1,611,491,597	54,925,483	169,295,917	1,497,121,163	0.63449
2011	1,618,970,465	55,366,141	169,498,939	1,504,837,667	0.66523
2012	1,691,659,713	55,542,364	175,488,594	1,571,713,483	0.66497
2013	1,661,535,865	64,223,721	181,089,163	1,544,670,423	0.66497
2014	1,811,983,598	70,371,887	199,149,794	1,683,205,691	0.66497
2015	2,107,295,778	71,348,481	226,256,365	1,952,387,894	0.66497
2016	2,653,573,290	82,618,591	312,314,526	2,423,877,355	0.66169

Source: Denton County Appraisal District

TOWN OF LITTLE ELM, TEXAS **TABLE B-2**
DIRECT AND OVERLAPPING PROPERTY TAX RATES (PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS (UNAUDITED)

	Town Direct Rates			Overlapping Rates [a]		
Fiscal Year	Operating Rate	Debt Service Rate	Total Town Rate	Little Elm Independent School District	Denton County	Total Direct and Overlapping Rates
2007	0.32363	0.14637	0.47000	1.74000	0.23192	2.44192
2008	0.39625	0.13955	0.53580	1.46000	0.23589	2.23169
2009	0.44636	0.12360	0.56996	1.53000	0.23577	2.33573
2010	0.46218	0.17231	0.63449	1.54000	0.24980	2.42429
2011	0.45279	0.21244	0.66523	1.54000	0.27390	2.47913
2012	0.46691	0.19807	0.66497	1.54000	0.27736	2.48234
2013	0.48129	0.18369	0.66497	1.54000	0.28287	2.48785
2014	0.49665	0.16833	0.66497	1.54000	0.28491	2.48989
2015	0.47715	0.18782	0.66497	1.54000	0.27220	2.47717
2016	0.47760	0.18409	0.66169	1.54000	0.26220	2.46389

[a] Overlapping rates are those of local and county governments that apply to property owners within the Town of Little Elm. A typical property tax bill would consist of the Town, School District, and County taxes.

Source: Town of Little Elm, Denton County and Little Elm ISD

Note: Tax rates are applied on each $100 of assessed value and are levied on 100% of assessed value.

TABLE B-3

TOWN OF LITTLE ELM, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)

FY 2015-2016 (2015 Certified Tax Roll)			FY 2006-2007 (2006 Certified Tax Roll)		
Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value
Orion Lakeside LLC	$ 48,000,000	1.98%	Retractable Technologies INC	$ 11,594,331	1.17%
BRE MF FRISCO LLC	35,584,745	1.47%	Elmwood Estates LTD	5,152,834	0.52%
Western Rim Investors 2011-5 LP	26,105,248	1.08%	CoServ Electric CO-OP	4,771,950	0.48%
Valencia on the Lake	24,850,813	1.03%	KBL Partners LTD	4,701,223	0.48%
LETC Dunhill LLC	23,900,000	0.99%	Lennar Homes of TX	4,181,434	0.42%
Retractable Technologies INC	16,097,728	0.66%	Sunset Pointe I LTD	3,485,700	0.35%
Kroger Texas LP	13,592,622	0.56%	Lowes Home Centers INC	3,370,278	0.34%
Eldorado Village LLC	13,548,587	0.56%	Eldorado West LLC	3,293,409	0.33%
Valencia on the Lake	24,850,813	1.03%	Little Elm Towne Crossing LTD	2,861,634	0.29%
HOLT Texas Properties	10,806,055	0.45%	CMC Little Elm Land LP	2,828,438	0.29%
Total	$ 237,336,611	9.79%	Total	$ 46,241,231	4.67%
Total Assessed Valuation	$ 2,423,877,355	100.00%	Total Assessed Valuation	$ 989,142,945	100.00%

Source: Denton Central Appraisal District.

Note: Property is assessed as of January 1 and certified to the town by July 25 for taxable values

TOWN OF LITTLE ELM, TEXAS **TABLE B-4**
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	5,461,711	5,446,283	99.72%	12,266	5,458,549	99.94%
2008	7,499,616	7,395,195	98.61%	99,570	7,494,765	99.94%
2009	8,604,462	8,506,674	98.86%	92,570	8,599,244	99.94%
2010	9,517,069	9,303,185	97.75%	142,800	9,445,985	99.25%
2011	10,016,680	9,858,712	98.42%	80,856	9,939,568	99.23%
2012	10,454,444	10,279,526	98.33%	104,290	10,383,816	99.32%
2013	10,651,248	10,514,194	98.71%	60,260	10,574,454	99.28%
2014	11,780,687	11,648,622	98.88%	45,687	11,694,309	99.27%
2015	13,629,127	13,581,388	99.65%	-	13,581,388	99.65%
2016	15,848,795	15,812,201	99.77%	-	15,812,201	99.77%

Source: Denton Central Appraisal District

TOWN OF LITTLE ELM, TEXAS **TABLE B-5**
MUNICIPAL SALES TAX AND RATIO TO AD VALOREM TAX LEVY
AND AD VALOREM TAX RATE
LAST TEN YEARS (UNAUDITED)

The Town has adopted the provisions of Chapter 321, as amended, Texas Tax Code (the "Municipal Sales and Use Tax Act") which provides for the maximum levy of a one percent sales tax which may be used for any lawful purpose except that the sales tax revenue may not be pledged to the payment of debt. The voters of the Town approved a 1/2% sales tax for the benefit of economic development on January 16, 1993, with collections beginning June 1993. The voters of the Town approved a 1/4% sales tax for street maintenance on May 7, 2005, with collections beginning October 6, 2005. The voters of the Town approved a 1/4% sales tax for 4B community development purposes on May 12, 2007, with collections beginning October 1, 2007. **Net** collections on a **fiscal year** basis are shown below:

Fiscal Year Ended Sept 30		Total Collected	1¼% [a] City	% of Ad Valorem Tax Levy	($) Equivalent of Ad Valorem Tax Rate	0.50% 4A EDC	0.25% 4B CDC
2007		$ 1,751,857	$ 1,250,277	23.37%	0.10985	$ 501,580	N/A
2008	[b]	2,877,072	1,814,759	22.41%	0.12006	726,203	$ 336,110
2009		2,873,899	1,787,100	21.05%	0.11998	724,533	362,266
2010	[c]	3,126,064	1,947,430	20.26%	0.12852	785,756	392,878
2011		3,392,058	2,111,001	21.29%	0.14165	854,038	427,019
2012		3,861,036	2,413,148	24.09%	0.16026	965,259	482,630
2013		4,479,710	2,799,819	26.78%	0.17809	1,119,927	559,964
2014		4,810,546	3,006,591	28.23%	0.18771	1,202,636	601,318
2015		5,705,401	3,565,876	30.27%	0.20128	1,426,350	713,175
2016		6,962,498	4,351,561	27.46%	0.18168	1,740,625	870,312

[a] The Town's portion of the sales tax collections increased from 1% to 1¼% beginning October 1, 2005 as the result of the May 2005 authorization for an additional ¼% for street maintenance.

[b] Collections include the 0.25% 4B CDC collections.

[c] The Town has entered into a Limited Partnership Agreement (LPA) with Denton County Fresh Water District 8c & 8b for sharing sales tax in the Extraterritorial Jursidication (ETJ).

Source: Texas Comptroller of Public Affairs Website (http://www.window.state.tx.us/taxinfo/sales)

TOWN OF LITTLE ELM, TEXAS **TABLE C-1**
RATIO OF OUTSTANDING BONDED DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)

	Governmental Activities			Business-Type Activities						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Other Obligations[a]	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Other Obligations[a]	Total Primary Government	Percentage of Personal Income[b]	Per Capita[b]
2007	$ 13,795,000	$ 5,766,450	$ 1,688,606	$ 8,155,000	$ -	$ 6,878,550	$ -	36,283,606	7.32%	1,665
2008	13,350,000	5,513,450	1,113,569	7,820,000	-	6,676,550	-	34,473,569	6.85%	1,521
2009	22,885,000	7,749,300	657,496	11,670,000	-	18,760,700	-	61,722,496	11.31%	2,572
2010	31,684,000	6,980,000	273,586	11,225,000	2,106,000	16,500,000	270,000	69,038,586	10.92%	2,666
2011	30,679,400	6,630,000	90,000	10,755,000	1,950,600	16,500,000	270,000	66,875,000	9.91%	2,492
2012	33,348,254	2,260,000	321,018	6,740,000	4,866,746	22,340,000	125,000	70,001,018	9.52%	2,428
2013	34,335,527	8,170,000	202,689	3,055,000	7,504,473	21,890,000	-	75,157,689	8.11%	2,144
2014	32,307,738	10,930,000	175,177	-	9,407,262	21,060,000	-	73,880,177	8.23%	2,291
2015	30,393,306	10,450,000	2,032,096	-	8,611,694	20,210,000	-	71,697,096	7.54%	2,119
2016	22,336,169	19,953,985	1,602,905	-	8,191,810	27,584,753	-	79,669,622	7.73%	2,279

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
[a]Includes Tax Notes and Capital Leases
[b]See Table D-1 for personal income and population data.

TOWN OF LITTLE ELM, TEXAS **TABLE C-2**
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET VALUE BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS (UNAUDITED)

	General Bonded Debt Outstanding [c]						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Total	Less: Available Debt Service Funds	Net General Bonded Debt	Percentage of Actual Taxable Value of Property [a]	Per Capita [b]
2007	$ 13,795,000	$ 5,766,450	$ 19,561,450	$ -	$ 19,561,450	1.65%	898
2008	13,350,000	5,513,450	18,863,450	-	18,863,450	1.34%	832
2009	22,885,000	7,749,300	30,634,300	-	30,634,300	2.01%	1,276
2010	31,684,000	6,980,000	38,664,000	-	38,664,000	2.58%	1,493
2011	30,679,400	6,630,000	37,309,400	451,192	36,858,208	2.49%	1,373
2012	38,215,000	2,260,000	40,475,000	554,894	39,920,106	2.54%	1,384
2013	41,840,000	8,170,000	50,010,000	567,931	49,442,069	3.20%	1,410
2014	41,715,000	10,930,000	52,645,000	367,338	52,277,662	3.11%	1,621
2015	39,005,000	10,450,000	49,455,000	1,005,376	48,449,624	2.48%	1,432
2016	30,527,979	19,953,985	50,481,964	453,186	50,028,778	2.06%	1,431

Notes: Details regarding the town's outstanding debt can be found in the notes to the financial statements.
[a] See Table B-1 for property value data.
[b] See Table D-1 for population data.

[c] This does not include Certificates of Obligations from Business-Type Activities. See Table C-1 for Business-Type Activities revenue based ratios.

TOWN OF LITTLE ELM, TEXAS **TABLE C-3**
DIRECT AND OVERLAPPING DEBT
AS OF SEPTEMBER 30, 2016 (UNAUDITED)

Governmental Unit	As of	Bonded Debt Principal	Percentage of Debt Applicable to Area [d]	Town of Little Elm Share of Overlapping Debt [c]
Debt repaid with property taxes				
Frisco I.S.D.	Sep-16	$ 1,851,248,851	3.15%	$ 58,314,339
Little Elm I.S.D.	Sep-16	154,222,748	50.62%	78,067,555
Denton County	Sep-16	608,895,000	3.33%	20,276,204
Subtotal, overlapping debt		$ 2,614,366,599		156,658,098
Town of Little Elm Direct Debt [a]	Sep-16	$ 43,893,059	100.00%	43,893,059
Total direct and overlapping debt				$ 200,551,157
Ratio of direct and overlapping debt principal to taxable values [b]				8.27%
Ratio of direct and overlapping debt principal to actual market values [b]				7.33%

Source: Municipal Advisory Council of Texas

Notes: [a] Includes Governmental Activities debt

[b] See Table B-1 for property value data.

[c] Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Little Elm, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

[d] The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the various government's taxable assessed value that is within the government's boundaries and dividing it by the total taxable assessed value.

TOWN OF LITTLE ELM, TEXAS **TABLE C-4**
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS (UNAUDITED)

The Town of Little Elm, Texas does not have a legal debt limit prescribed by state law. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits ad valorem tax rates to $2.50 per $100 assessed valuation for cities operating under a Home Rule Charter. Accordingly, the Town's tax margin for the previous ten years was:

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Maximum Rate	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50
Total Tax Rate	0.4700	0.5358	0.5700	0.6345	0.6652	0.6650	0.6650	0.6650	0.6650	0.6617
Legal Debt Margin	$ 2.0300	$ 1.9642	$ 1.9300	$ 1.8655	$ 1.8348	$ 1.8350	$ 1.8350	$ 1.8350	$ 1.8350	$ 1.8350

TOWN OF LITTLE ELM, TEXAS **TABLE C-5**
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

Water and Sewer System Revenue Bonds

Fiscal Year	Total Revenues[a]	Less: Operating Expenses[b]	Net Available Revenue	Annual Requirement[c]	Times Coverage
2007	$ 6,354,101	$ 4,321,359	$ 2,032,742	$ 1,447,980	1.40
2008	7,041,071	5,862,757	1,178,314	1,400,696	0.84
2009	9,326,523	5,725,257	3,601,266	1,009,520	3.57
2010	9,654,239	4,778,442	4,875,797	1,399,923	3.48
2011	10,650,297	5,045,588	5,604,709	2,737,299	2.05
2012	11,319,089	5,495,379	5,823,710	1,283,032	4.54
2013	12,194,625	5,889,534	6,305,091	1,558,701	4.05
2014	12,908,682	6,275,068	6,633,614	1,645,568	4.03
2015	16,645,367	6,469,613	10,175,754	1,694,747	6.00
2016	16,834,616	8,068,474	8,766,142	1,943,104	4.51

Notes: [a]Includes operating and non-operating revenues.
[b]Includes operating expenses minus depreciation.
[c]Includes annual debt service requirements for all bonds paid from system revenues

TOWN OF LITTLE ELM, TEXAS **TABLE D-1**
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(UNAUDITED)

Year	Estimated Population[a]	Personal Income	Per Capita Personal Income[b]	School Enrollment[c]	Unemployment Rate[d]
				Little ELM ISD	Denton County
2007	21,793	$ 496,008,680	$ 22,760	5,147	4.0%
2008	22,668	503,252,268	22,201	5,371	5.1%
2009	24,000	545,736,000	22,739	5,855	7.2%
2010	25,898	632,377,364	24,418	6,044	7.5%
2011	26,840	674,999,160	25,149	6,245	7.1%
2012	28,835	735,407,840	25,504	6,344	6.3%
2013	35,059	926,188,662	26,418	6,606	5.5%
2014	32,248	897,558,584	27,833	6,910	4.5%
2015	33,842	950,418,728	28,084	7,193	3.4%
2016	34,955	1,030,193,760	29,472	7,354	3.3%

Sources: [a]Estimated population provided North Central Texas Council of Governments
[b]Per Capita Income provided by Census.gov
[c]Little Elm Independent School Districts.
[d] Federal Deposit Insurance Corporation, FDIC.gov

Note: Personal income is calculated by multiplying estimated population by per capita personal income.

TOWN OF LITTLE ELM, TEXAS **TABLE D-2**
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO (UNAUDITED)

2016			2007		
Employer	Employees	Percentage of Total City Employment	Employer	Employees	Percentage of Total City Employment
Little Elm ISD	757	20.18%	Little Elm ISD	645	19.82%
Kroger	250	6.66%	Retractable Technologies	160	4.92%
Hula Hut	142	3.79%	Town of Little Elm	158	4.86%
Town of Little Elm	226	6.03%	Lowes Home Center	125	3.84%
Retractable Technologies	157	4.19%	Sonic Drive-in	45	1.38%
Lowes Home Center	136	3.63%	Independent Bank	20	0.61%
Applebee's	70	1.87%	Hobby Lobby	20	0.61%
Holt	50	1.33%	Key's Supermarket	16	0.49%
24 Hour Fitness	35	0.93%	Network Distribution Int.	15	0.46%
Hobby Lobby	30	0.80%	Javelina	10	0.31%
Total	1,853	49.40%		1,214	37.30%
Total Little Elm Daytime Employees	3,751		Total Little Elm Daytime Employees	3,254	

Source: Top ten employers and employee count provided by Little Elm Economic Development Corporation.

TOWN OF LITTLE ELM, TEXAS **TABLE E-1**
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	14.00	14.50	15.00	15.00	16.00	15.50	21.00	19.50	19.00	19.00
Public Safety	65.00	69.00	74.00	75.00	76.00	80.00	85.50	90.00	95.50	111.50
Public Works	12.00	13.00	16.00	18.00	20.00	22.00	21.00	18.50	20.00	19.50
Culture and Recreational	17.50	21.00	24.50	24.00	21.00	29.50	31.50	32.50	35.00	37.50
Planning and Development	10.00	10.50	11.00	8.00	7.00	13.00	10.00	15.00	15.00	14.00
Water and Sewer	29.00	29.00	30.00	26.00	30.00	23.50	27.00	30.00	29.00	29.00
Total	147.50	157.00	170.50	166.00	170.00	183.50	196.00	205.50	213.50	230.50

Source: Town Departments

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TOWN OF LITTLE ELM, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS[A] (UNAUDITED)

	Fiscal Year	
Function/Program	2007	2008
Public Safety		
Police		
Number of employees [b]	32	34
Number of violations (citations)	6,929	8,198
Fire		
Number of employees[b]	31	32
Number of volunteers	9	9
Number of fire runs	828	725
Number of EMS runs	1,221	1,207
Public Works		
Streets (miles)	108	108
Community Services		
Residential permits	416	242
Commercial permits	13	12
Cultural and Recreational		
Parks and recreation		
Park maintain & operate per acre	400	400
Participants in parks programs	425	425
Participants in senior program	100	100
Participants at Recreation Center	N/A	N/A
Library		
Volumes in Collection	22,665	28,908
Circulation	24,097	36,012
Water and Sewer		
Number of water connections	7,841	8,035
Number of sewer connections	7,652	7,594
Average daily water consumption [c]	2,205	2,650
Maximum ground storage capacity [c]	7,000	7,000
Maximum elevated storage capacity [c]	1,500	1,500
Water purchased [c]	775,874	857,694

Source: Town Departments
Notes:
N/A - Data not Available
[a] Information was only available back to 2005
[b] Department Administration and EMS Staff included
[c] Stated in millions of gallons

TABLE E-2

Fiscal Year							
2009	2010	2011	2012	2013	2014	2015	2016
38	34	36	41	44	44	49	52
5,396	5,200	4,198	3,974	4,434	4,306	5,332	4,617
35	36	37	40	42	47	45	55
9	2	5	1	0	3	10	10
746	954	980	888	1,011	992	1,112	1,287
1,278	1,195	1,369	1,327	1,437	1,732	1,714	1,940
108	108	108	108	108	108	131	138
283	434	488	588	737	860	1034	1154
20	34	49	47	59	62	68	76
500	500	500	500	500	500	500	500
2,500	2,650	3,500	3,800	22,700	50,000	65,000	75,980
150	200	300	320	1,020	11,577	14,769	18,304
N/A	N/A	N/A	N/A	30,400	45,316	47,690	53,632
32,905	37,096	32,329	37,785	45,538	45,187	47,531	77,928
41,526	37,850	35,081	69,114	92,684	136,765	124,470	126,326
8,204	8,368	8,712	8,963	9,257	9,835	9,880	10,370
7,792	8,067	8,399	8,636	8,927	9,489	9,531	9,983
2,230	2,266	2,726	2,547	2,710	3,110	3,164	3,201
7,000	7,000	7,000	7,000	7,000	7,170	10,169	7,170
1,500	1,500	1,500	1,500	1,500	3,575	3,575	3,575
888,950	899,844	1,080,672	1,160,174	1,161,074	1,134,837	1,127,728	1,235,350

TOWN OF LITTLE ELM, TEXAS **TABLE E-3**
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Patrol Units	11	13	16	16	16	16	16	17	19	25
Fire Stations	2	2	2	2	2	2	2	2	2	2
Police Motorcycle Units	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets-Paved	108	108	108	108	108	108	108	108	131	138
Cultural and Recreational										
Parks (acres)	400	400	500	500	500	500	500	500	500	500
Playgrounds[a]	5	5	5	5	5	5	4	4	5	5
Library	1	1	1	1	1	1	1	1	1	1
Senior Center	0	0	0	0	0	1	1	1	1	1
Recreation Center	0	0	0	0	0	1	1	1	1	1
Water and Sewer										
Fire Hydrants	883	902	908	1,063	1,070	1,206	1,216	1,256	1,270	1,270
Ground Storage Facilities	6	6	6	4	4	4	4	4	4	4
Elevated Storage Facilities	2	2	2	2	2	2	2	4	4	4
Lift Stations	18	18	18	17	16	17	17	18	19	20

Source: Town Departments
Notes: [a] Does not include HOA playgrounds